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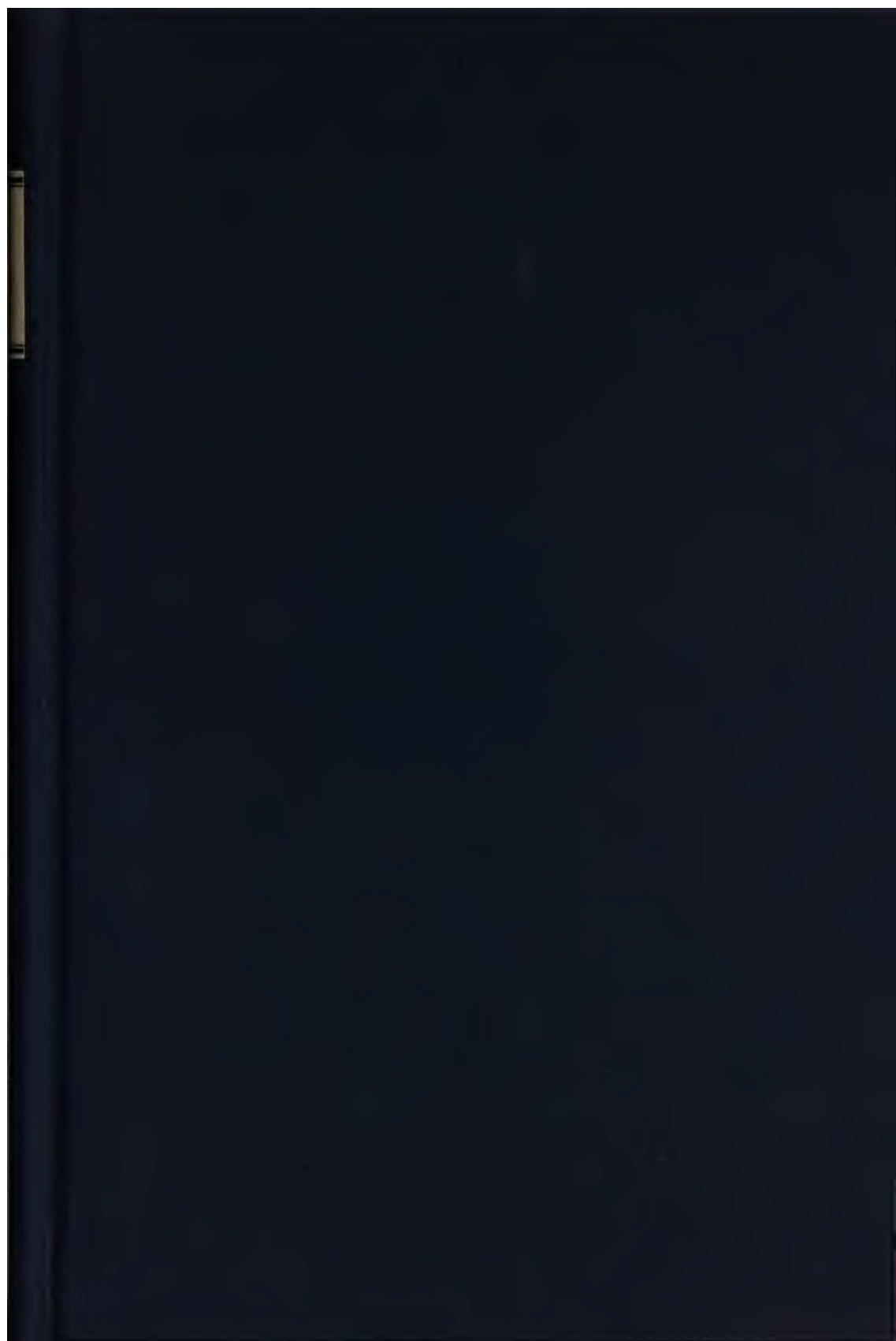
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LABOUR AND INDUSTRY

A SERIES OF LECTURES

BY

PERCY ALDEN, J. B. BAILLIE, GERALD BELLHOUSE,
J. R. CLYNES, G. D. H. COLE, SIR MALCOLM DE-
LEIVINGNE, SIR D. DRUMMOND FRASER, F. W.
GOLDSTONE, PERCY J. PYBUS, R. H. TAWNEY,
MISS E. B. VOYSEY, J. H. WHITLEY

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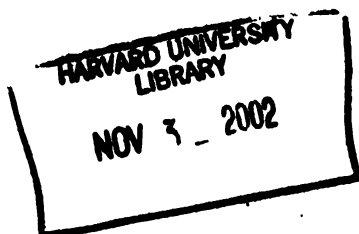
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NOTE

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Works Committees and Industrial Councils

THEIR BEGINNINGS AND POSSIBILITIES

BY THE RIGHT HON. J. H. WHITLEY, P.C., M.P.

A LECTURE GIVEN ON TUESDAY, OCTOBER 7, 1919

LADIES AND GENTLEMEN—I am conscious of the honour that you have done to me in inviting me to open this series of lectures upon which you are entering. I realise that the invitation came to me because of the connection of my name with a series of Reports that were issued some two years or more ago by one of the Government Reconstruction Committees. I want you to understand at the outset that it is just one of those chances which are little capable of explanation that my name has come to be so used. It is true I was the Chairman of this Committee, and, as I said to my colleagues the first day on which we met, that it is a case of an ignoramus in the chair. For when I looked round my table I saw that every man and woman round that table had far greater knowledge and experience in industrial affairs than any I myself could lay claim to. I want you to understand, therefore, that the Reports which came from that Committee were in reality far more the work of my colleagues than any work of my own. Among my colleagues were prominent leaders of the trade unions like Mr. Clynes, whom you know so well in Manchester, and Mr. Robert Smillie, the leader of the Miners' Federa-

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tion, and employers of labour of great experience and ability like Sir Thomas Ratcliffe Ellis, again well known in this neighbourhood, Sir George Carter, Sir Allan Smith, and so on. I had the co-operation also of two women of great ability and experience. So that in anything I say to you to-day I am only very imperfectly attempting to convey to you what was in our minds in the framing of the recommendations of those Reports.

Now I understand this series of lectures deals with the great subject of Industrial Management, and I presume, among other matters for consideration, you will have, for instance, the application of the latest revelations of science towards the improvement of industry. You will have no doubt also the latest ideas in organisation and in management. But my subject this afternoon deals with a factor in industry which in my view is not second to any other factor if we take a right view of the future of our industrial situation. I refer, of course, to the human factor. In any attempt to base the future of our British industry on sound lines, in my view the human factor must be kept in the forefront of our consideration, namely, the men and the women who spend their lives inside our great industries. Consider with me for a moment or two what that factor is. Even before the war education was bringing about very great changes. The great advance in education throughout all ranks of the people was leading up—had led up—to the need for a new attitude in the organisation of industry. In my belief that would have come about had there been no war. But what has been the effect of the war? I think it is not too much to say the war has done in five years what might have taken twenty-five years to do under other circumstances. I venture also this view, that in that sense it is all to the good that it has been so. For is it not true that the war opened

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the opportunity for capacity which up to that time was unrevealed both to the individual and the mass—to men and also to women? Is it not natural and right that our young men who have come home from the war, and our young women who have learned, part of them at any rate, for the first time, the great things that they were capable of, that they should all of them as individuals have a new valuation of themselves, and indeed that everybody who has to deal with them in any relations should recognise and welcome that new valuation? Perhaps I may put it this way. In my deliberate opinion any young fellow who has been through this war, and any young woman who has answered the call in her own sphere during the war, has received during those five years a University education superior to what any of us got in the old days, or any person gets to-day, in the Universities of Oxford, Cambridge, or Manchester, or Liverpool, or so on. I mean that any young man or young woman who had any real substance in him or her before the war has had it, with the experience, the opportunities, of the war, increased probably an hundredfold. Therefore I look upon the future adjustment of our industry to meet the truth of such a situation with the greatest hope. What fools we should be if we failed to take that human factor into the fullest account and to give it a full opportunity of making its mark.

Before the war there was already a claim for a higher status for the individuals that go to make up the mass of our population. That, as I say, was the natural result of the spread of education; and is it not a good thing that there should be that healthy aspiration, namely, that the ordinary work of daily life should be not measured wholly on the cash basis, wholly on the number of hours which are worked or which are passed away, but that there should be a claim right through from all the varied human units

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that go to make up what we call the industry of the nation for a new conception of their part in the great industrial world? To my mind, and to that of my colleagues, I think I may say all that was to the good ; and the question we put to ourselves was where a channel could be found through which that healthy aspiration might find its proper outlet. It was, I think, with that conception clearly in our minds that we made the recommendations which are embodied in the four Reports which we issued, beginning in March 1917. And indeed this is not a question of sentiment, although taken on that basis it would be a thing not to be neglected or ignored, but it is a great practical question in our industry of to-day and to-morrow. Let me go over with you, if I may, what seem to me to be the real factors in the present industrial situation. We have this aspiration, in itself just, in its effect, in my belief, valuable to the nation as a whole. We have also, turning to the economic side of our industry, this very great problem. We have recently, I think we may say, throughout our industries substantially reduced the hours of labour ; a reform of which I myself was an advocate a good many years ago. We have raised the standard of remuneration almost throughout our industries, although for the time being the greater part, in some cases pretty well the whole of it, is absorbed in the greater cost of living. But we have undoubtedly in that way added for the moment very largely to the cost of production. Those points cannot, I think, be matters of dispute. Are not these other factors equally true? In these islands of ours we have a population of something like forty-seven millions of people, and those people have hitherto lived, and indeed can only continue to live, in such a mass on these islands if they are able to render services to the rest of the world which are tabulated in the form of

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exports which command counter-services from the rest of the world which supplies us with the food and raw materials which we need. If our ability to render those services in exchange for counter-services was destroyed we might as well wipe out one half of the population—men, women, and children—of these islands. They would either have to emigrate or the standard of living would have to be reduced to a very exiguous standard to meet the situation. So that the problem we have in front of us—for my part I do not think at all it is incapable of solution—is how on the one hand we can have an ever-increasing standard of living and improved status of the whole of our population and at the same time not diminish but go on to increase the services which we can render to the other nations of the world, in return for which the other nations will give us the services which we need from them. That, to my view, is the real essence of the industrial problem of to-day and to-morrow.

Now how to overcome that problem? Can we not follow on the lessons we have learnt in another field during the last five years? Did the most optimistic of us ever realise in advance what our nation, our manhood and womanhood, was capable of before the great war came upon us? I think not. I think it has been a revelation to every one; not merely the increased effort of which we were all capable, but the increased standard in, perhaps most of all, the spirit of endeavour and also in the combined brain power that was put forward to meet the needs of the moment. Well, if we could as a people do what we did do in the great war, and what proved to be the factor that conquered the Germans in the end, is it not possible for the purposes of peace to take the whole of that, and even to improve upon it, in order that we may in the time of peace, having safeguarded the freedom of the world, go on to build on that

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foundation a sort of commonwealth of services and counter-services both inside our nation and between nation and nation in the world as a whole? Surely that is a sound proposition. If we are to do it how can we do it else than by realising to the full that capacity of all the individuals in our society, according to their several gifts, opening up the fullness of opportunity to every one, and also using in combination that association of gifts in order to make our people capable of the maximum of service?

We so often hear, in these days, talk about output, and I know that in some quarters there is a sort of shiver goes down certain backs at the talk of increased output. It is a phrase that I myself am not fond of using, because it does not convey a very real meaning. Output, as such, is nothing. But the real truth of the matter is that it is only for services rendered that we can claim services in return; and that for the reason, to put it quite plainly, that I have already spoken of, the maintaining of the population of these islands in their present and in an increased status of comfort, and that in the long run it can only be done if we are capable of rendering ever-increasing services to the rest of the world. That is one reason why it is such folly to be putting on restrictions here and there, and saying we will not exchange services in this direction and that direction. Everything of that kind is simply a hindrance to the total capacity of which we as a people are capable. Well, then, in my belief it can be done. I will go further and say that it must be done. What then are the means by which it shall be done? Give science its place. Science has, perhaps it is fair to say, come into its place during the war. The leaders of our great industries have learnt lessons in the five years that have passed that under other circumstances they might not have learnt in twenty-five. Let us have every one of those lessons brought in

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and harnessed as the servants of industry. Again in the matter of organisation, and I am speaking now solely of the side of management, by all means let us have every lesson we have learnt during the war for the purposes of destruction turned now and applied in the full sense to the purposes of peace. But let us also have the soundest methods of finance, realising that capital properly considered is not the master but the servant of industry—the servant of industry—and given that, there still remains what I venture to call the prime factor in the whole problem, namely, the possibility of obtaining from a free people, rightly striving after an ever-increasing status and fullness in their own individual lives, the co-operation in industry which will make it possible for us to achieve those results. It has been working from those thoughts that the recommendations in what have come to be called the Whitley Reports have been framed. My colleagues and I were asked to make proposals for dealing with the problem of industry after the war. The first conclusion we came to was this : there is no such thing as “after the war.” I am speaking now of 1917. I mean that in our view there ought to be no separation between the problems that had to be tackled during the war and the problems after the war, and that what was right for the one was right for the other, and what was right in the second case should be put into operation immediately.

Therefore in the first paragraphs of our first Report we stated that in our view the kind of co-operation, of joint working, which we recommended through the Joint Industrial Councils and the Works Committees should begin forthwith, and that the joint effort in tackling the problems of the war would be all to the good in tackling the future problems of peace-time. We see to-day how true that was.

Take the single illustration which perhaps has been

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in our minds a good deal the last few days of this railway strike.

Surely what the Government ought to have done was this, as soon as they adopted the principles of these Reports, as they said, as one of the main parts of their future policy of reconstruction. There was no more proper place to begin than with the management of our railways, already under State control, under unified control. In my view, what ought to have been done was this : that the railway executive, of which we were so conscious at every turn during the latter term of the war from the notices which confronted us, ought to have been no longer a body of railway managers alone but a Joint Industrial Council of the railways, on which railway managers would have had their place, but sitting along with them continually and dealing with the difficult constructive problems that arose during the war would have been Mr. Thomas, Mr. Cramp, and the others of the leaders of the men engaged upon the railways. In my belief, if that joint work, constructive work, had been done all through that period, what we have seen during the last nine days would never have happened. When you are sitting round a council table, dealing with positive problems, it is astonishing how comparatively easy you find it to deal with the other problems as they come along. It is fairly obvious that if two parties, both of them essential to a certain purpose, are living in opposite trenches, and their chief exercise is lobbing bombs over out of one trench into the other, and the other one bombs back again, it does not conduce either to harmony or to the best service that can be rendered to the public. Is it conceivable also that the men who spend their daily lives in the railway works, in the railway working, or indeed in any industry, have not a contribution to make on the business side of that industry from their

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knowledge and from their brains? The fact is, we cannot draw a line among our people in these days and say, "Those are the brain-workers and those are the hand-workers." There is no such line to be drawn. The war has taught us that lesson. Again, if we did not know it before, the war would never have been won but that our lads who came from the humblest place in the ranks found themselves capable of commissions in the field. There again was the quality of the nation which we had hidden and unused; greater than that which Germany had, and which brought us success in the end. What folly it would be in the equally great problems of industry in the days to come if we took a step backward and did not recognise, use and welcome for the purposes of peaceful industry, what was, I think it is true to say, the only thing really that brought us success in the war.

I think with these preliminary thoughts I may go on just in a word or two to tell you what these recommendations were. I will not use much time there, because I understand that you have in front of you, or with you, copies of these Reports, and if you have not read them, perhaps I may presume that you will take them away and read them afterwards. But I may just sum up what I have been saying to you in this way. We won the war, not to deprive the old army of one jot or tittle of its due in the way it stood in the breach in those dark days in the early part of the war, but what won the war in the end was the fact that we were able to produce that new army with all its wonderful qualities out of the ranks of our citizenship. If we were able to do that, then let us make sure that in industry in the days to come we do the same thing. We cannot win the future battle of industry in the world with the old army alone. We must, in the same spirit as the new army was created to defend the

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freedom of Europe, advance and create in the same spirit the new army of industry. The proposals, then, that my colleagues made were these. That in every industry there should be a joint organisation reaching from the unit of the Works Committee in the individual factory or workshop to the highest councils of the industry in the National Joint Industrial Council ; that the representatives of the management and the representatives of the workers—men and women—should sit together considering not only questions that usually lead to friction and disputes, questions of hours and wages and so on, but that they should consider also what one might call in some sense the higher qualities of the industry. To my mind it is only right that what have hitherto been considered the secrets or the preserves of the captains of industry in these days of education should be shared more widely throughout the ranks of industry. The National Joint Industrial Councils of the various industries would be considering together the world position of an industry, considering and thinking ahead of the needs of the industry in the way of science, organisation, finance, and its position regarding the other industries of the nation and the industries of other nations as well. It is perfectly true that you cannot manage either an industry or a factory by a committee. Business would not get done. But that is not an answer to the problem. While you may have each man and woman attending to their several particular purposes, there is a field for the joint constructive effort of all parties in an industry both in the individual workshop and in the National Council of that industry. Therefore we proposed a threefold organisation. There was the National Council, consisting of the elected representatives of the employers and the representatives of the trade unions concerned in that particular industry. I am

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glad to say that at the present moment there are no less than forty-six industries which have established their National Joint Industrial Council and already got to work, and that that number is apart from the great development that has taken place in applying these principles also to the Civil Services, the Government establishments, and also to the Municipal Services throughout the country. Some of those Industrial Councils are already doing very remarkable work.

I have with me here the monthly bulletin for the month of July, which gives every month the record of the work being done by these Councils. It would be quite impossible for me, of course, in the limits which I am given this afternoon, to deal with this record in any detail, but I will just, making one or two slight quotations from this bulletin, endeavour to give you an idea of the work that is being accomplished. And here I do venture to make a little bit of complaint against the Press. In our newspapers we every day see the great headlines of disputes and quarrels, but the constructive work, on the other hand, is hidden away into the corners in small type. If they were even once a month to give in a couple of columns this bulletin, which I believe is issued to them, it would put rather a different aspect upon what the real situation is in the industrial world. But of course I recognise that a happy family never provides quite the same sensational headlines that a suicide or a murder does or the attempt at it. For instance, this Report deals first of all with the series of industries in which harmonious agreements have been arrived at on the question of wages. Then in its second part it deals with similar harmonious arrangements arrived at in the matter of hours. In the third section it goes on to deal with the way in which these Industrial Councils have actually set up their own methods of conciliation in case in the future they

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should happen to fall out and not agree. What more sensible thing could you have, instead of having something imposed upon you by a Government Department in Whitehall, than to make reasonable provision as to what should happen in case they lost their tempers in days to come? That strikes me as being really illustrative of the good common sense which in the long run does animate the great majority of our population. I find, for instance, that in the case of the heavy chemicals the National Industrial Council have appointed a travelling arbitration panel, so that if there is a dispute anywhere they have their own panel ready to go round and say, "What's all this about? We have come, if you can't settle this business, to settle it for you." Mind you that is not some superior authority. It is made by the men engaged in the industry themselves, and therein its value. I go on to Section 4, which deals with the work done with regard to the working conditions in the various industries, and there are some very hopeful developments. One is the way that the doctors are being made use of by some of these enlightened Councils to investigate the questions of fatigue in the various industries, so that sickness and breakdown may be eliminated as far as possible ; a very great advantage to the industry as a whole. In Section 5 there is a list of the Industrial Councils that have dealt with the question of apprenticeship in their several industries, drawing up agreed schemes on that matter. In Section 6 is set forth the work that these Councils are doing in education. It is rather an important factor, I think, that nearly every one of these Councils has appointed as a liaison officer the Education Inspector of the district which is the chief centre of that industry, so that the evening schools which are coming along under the Fisher Act may be co-ordinated with the real needs of the people engaged in the

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industries. For instance, the Building Trade, the China Clay Trade, the Furniture Trade, the Pottery Trade, the Silk Trade are all vigorously taking up the question of education as concerning their industries. Then I come to the question of research. Here again do you not understand as reasonable men and women what it means to workmen in an industry when they are taken into partnership in the technical side of an industry, namely, the research on which the future of that industry depends? I remember one of the prominent labour leaders telling me that in a certain industry with which he was concerned the bringing of the research laboratories under the joint control of a Sub-Committee of the Joint Industrial Council had in itself made a tremendous difference to the spirit of that industry,—the admission that it was a matter of joint interest that that industry should have in the highest sense the best possible research department. So I could go on with Sections 8, 9, 10, and 11, of the work that is being done by these Industrial Councils. But do not let me leave the impression that the National Industrial Councils are the only thing that matters. They are, to use military parlance, the G.H.Q.—General Headquarters—of an industry, but they are very remote naturally from the daily life of the people. You can understand that to the ordinary workmen, among whom you and I spend our lives, they are something that meets perhaps in London, or Birmingham, or wherever the chief centre of their industry may be, and in which they take only a rather vague and distant interest. It is most necessary that the Works Committee should be made of equal importance with the National Industrial Council, so that by that means, in the individual workshop or factory department, the representatives of the work-people should have regularly the opportunity of making their contribution to the conditions under which that

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work is carried on. Do not look upon these Works Committees, I beg you, as a glorified form of welfare work. It is quite true there are many things concerned with health, sanitation, ventilation and so on, on which the workers have the supreme right to have their say, but I should think that the thing was very poor if it stopped there. My hope is that the establishment of these Works Committees will be the means whereby there can be spread throughout the ranks of the workers a real understanding of the problems of industry as a whole. Who knows—who knows—what our future organisation of industry is going to be? It is not for me to argue that question with you this afternoon or even to state the problem; but I do claim to say this, that whatever the future organisation of industry may be its success will depend on the number of men of education and experience who are capable of taking the lead in it. Therefore you and I, whether we agree or whether we differ on the ideal organisation of industry, can be absolutely unanimous on this point, that any means which increases the fund of knowledge, which distributes more widely that knowledge and experience about the whole of the problem of industry, is a good thing for our national future, whatever lines that national future may take. It is for that reason that I had among my colleagues on that Committee a number of distinguished leaders of socialist thought, and they signed the Report along with the rest of us, in my view quite rightly making their reservation that they retained their views of what they thought the future organisation of industry should be; but so far as we went in the subject-matter referred to us in these Reports they signed the Reports as heartily as any of the others of us. So that there I think, at any rate I venture to make the claim to you and to ask your co-operation in the matter, that wherever they have not yet been established

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you should try and make your contribution in the industry with which you are concerned to get that industry organised with both its Local Works Committees in the various workshops and factories and also with its G.H.Q. of a National Joint Industrial Council. The whole of it, of course, depends on something underlying. It depends upon the conception of industry as a piece of national service. We have been in the habit in the past of looking upon industry as a selfish struggle. In reality at this moment it is nothing less than a piece of national service. If we are, in this country, to clear off the great load of debt which we have necessarily accumulated in the struggle we have just passed through, and if we are, in addition to that, to liberate as years go on new opportunities for the whole of our people, then it can only be done by the conception of our daily lives and industry as a great piece of national service, and the only kind of national service which can sustain our country in the days to come.

That is why I venture to say to any young men or young women who are entering upon business careers : "Be proud of yourselves." Unless your lives are guided really by selfishness you have an opportunity in front of you of as good a service as you could render in any of the great professions as they are sometimes called. The profession of a business man, rightly conceived, is second to none, and I hope that all the younger generation who are going into business are going into it imbued with that spirit. It must be the fact that at the present moment, certainly within a very short time, our industries will be in fact manned as to a majority by the young fellows who have come back from the war. Are we to let the ideals which carried them through all those horrors be degraded and lowered in the ordinary workaday life that they spend afterwards? I think not. I think that the

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proposals we are considering this afternoon of Works Committees and Joint Industrial Councils, their beginnings and possibilities, supply a means by which this healthy, vigorous, young life can take up the reins in industry and wipe out the mistakes that we older folk made as your predecessors, and can establish the industry of this country on a human basis which will give the maximum of opportunity to every individual, and at the same time bring about the maximum co-operation among the whole of those individuals for the benefit of the whole commonwealth.

DISCUSSION

Mr. HANNAY thought there had been a serious omission in leaving out the brain-worker from the organisation set up as a result of these Reports. There were large classes of workers, scientific, technical, and managerial, whose labours went largely to make up the success of industry, but who were barred from the actual work of the Industrial Councils. The research chemist, for instance, found himself under the control of a Committee set up by employers and trade unionists. Such a worker, who probably, as much as any man, had got the future of the trade in his hands, found he had no right on the Industrial Council of the industry in which he was employed.

Mr. WHITLEY said he had been much concerned with that subject, and he counted it a very valuable thing that the Reports had stimulated the consciousness of that most important side of industry. Neither he nor the Government could impose on any industry any particular form of organisation, but the Ministry of Labour was engaged in endeavouring to find a means to bring in that most necessary and valuable element. The original idea of some people was that

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the Industrial Councils were no more than glorified Conciliation Boards. That had never been the conception of those responsible for their establishment. He noticed that already in the Building Trade proposals were being adumbrated for giving their proper share to the very people to whom the questioner referred.

Mr. O'BRIEN asked where the Bulletins of the Works Councils could be obtained. Mr. WHITLEY replied that the Ministry of Labour were always glad to send them to any individual or body who was interested in the movement. An application should be made to Mr. Bertram Wilson, the chief officer of the Industrial Councils Department. The questioner also said that he presumed the Industrial Councils were built up from the unit of the Works Committees. Further, he found great difficulty, as a manager, in getting into touch with the great bulk of his workers—between 3000 and 4000. He had tried the experiment of getting a very much larger delegation—some 200 to 250 representatives—but still found the same difficulty.

Mr. WHITLEY said that the constitution suggested by the questioner was not that recommended. They recommended that in most cases the Industrial Council should be formed first and the Works Committees afterwards. It was not a fact that the membership of the Industrial Council was elected from the basis of the Works Committee. The Industrial Council consisted of the elected representatives of the employers and the chosen representatives of the trade unions concerned in that industry. In the most complicated industry—Building—he believed there were no less than 19 trade unions which contributed representatives to the workers' side of the Building Trades Industrial Council. They varied in

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different degrees. He thought it a great pity that the Cotton Trade, which used to be considered the great leader in industrial movements, should have been so behindhand in adapting itself to the Industrial Council. He had heard it said that they had the idea that they had all that was necessary, because they had certain joint bodies for particular purposes, for instance, one for cotton-growing and a joint body that came into existence when there was a dispute. An Industrial Council met at fixed and regular intervals to consider all matters of interest to the trade. To get over Mr. O'Brien's other difficulty, Mr. Whitley suggested that in addition to the Works Council, which might perhaps not meet more than once a quarter, they might have meetings within the departments, where a smaller number of men were employed, so that there was a representative for, say, every 30 or 40 workmen instead of only one in 300 or 400. It was not a good thing to have a Works Committee too large. It must be kept small if it was to be a success, and should be based on departments if it could not be based on the whole of the works. Another plan that had been found successful was to have the minutes of the Works Committee circulated amongst the whole of the workmen and encourage them to send in suggestions for questions to be discussed by the Works Committee.

Mr. EDMUNDS, speaking as an operative worker in the Building Trade, said there was no plan worked out whereby the men who sat upon the Industrial Councils were true representatives of the workers. They knew, unfortunately, that there was a great deal of indifference or apathy among the members of the different trade unions. The Whitley Councils had appointed direct representatives upon these Councils from each industry without allowing the rank and file

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of the different trade unions to elect their members by a democratic vote. In the Building Trade they had worked under a Conciliation Board for about ten years, and if anything had got into ill-repute it was the working of the Conciliation Board. They wanted the men who sat on the Council to be absolutely the mouthpiece of their fellow-workers, to go there on the same footing as the employers, believing that whatever they said or did would meet with the approval of their fellow-men.

Mr. WHITLEY hoped that very soon the constitution would be built up by direct election from the Works Committees to the District Councils and from the District Councils to the National Councils. Every industry practically had its trade union at its head, and it had been necessary to make beginnings from that. He agreed that it might be found possible, and possibly more helpful, in course of time, if instead of the nomination of the trade unions they could have the breath of representative power coming right up from the individual factory and workshop.

Mr. BRUNSCHWEILER referred to the necessity of the systematic peaceful creation of new markets within the Empire if the future was to be what it could and ought to be.

Mr. WHITLEY said that many Councils had linked themselves up with the Overseas Trade Department of the Government. The need for various markets was not a closed thing for a select management of industry, but a thing upon which the workmen were entitled to knowledge and to have a share in dealing with the problem.

Mr. DILKS asked whether Mr. Whitley would recommend the establishment of Works Committees in the Cotton Trade. He had noticed that in an early

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Report it was rather suggested that it would be best to avoid the introduction of Works Committees until the industry was more fully organised from the top, and that Works Committees were part of a scheme which should only be established by the employers' organisations and the trade unions.

Mr. WHITLEY said that while they were desirous that the National Council should be the first step, they did not lay down a hard-and-fast line, and there was nothing to prevent in any industry which had failed to move in the direction of a National Council the various units moving in the direction of a Works Committee, if certain dangers were avoided. Mr. Whitley continued : " You will find those dangers very carefully set out in our third Report, which deals specifically with Works Committees—namely, you must be quite satisfied that a Works Committee is not an anti-trade-union device. It must not be open to any shadow of suspicion in that respect. Perhaps I might go so far as this. If any one is thinking of starting a Works Committee in an industry where there is not a National or District Council, I would recommend him to be most careful to take these steps. First of all, call in the trade union in your district of which, to your knowledge, your workers are members. Call it in quite frankly and tell its representative that you wish to establish a Works Committee, and you wish to talk over with him the best means of doing it. Then go a step further and ask him if he can suggest any persons in your own works who would serve on a provisional committee to help the management to frame the first scheme. If you take steps of that kind I think you will find you are on the right lines, and it will be successful, and you will not have any question arise of it being an anti-trade-union device ; but from the start you then recognise that the questions

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which are matters of negotiation between the trade union and the employers' association are outside your ken altogether, and you will then devote yourself to the many important matters of internal organisation and comfort and methods inside your own works."

Mr. TERLOW asked what steps were recommended for the organisation of a Whitley Council in such an industry as the warehousemen of Manchester. He spoke of what were called the unorganised warehousemen. He had been given to understand that an application had been made to form a Whitley Council on behalf of the warehousemen and clerks of Manchester, but it had been refused on the ground that they were not a trade union. He also asked what was recommended where, in the same industry, a firm employed, say, 500 or 600 men who were not members of any union, and they had decided to form a Works Committee. They had done this where he was employed, and the management had refused to recognise it.

Mr. WHITLEY : " In the second of our Reports we recommended that any industries where there was not an adequate basis of organisation either among the employers or among the workmen, or both, for the formation of these Joint Councils, then the method of the Trade Board should be used in order to ensure an adequate standard of wages and a proper regulation of hours. I am not sufficiently acquainted with the position of what we may call the warehousing industry. I am afraid to give a specific answer to that question. Clearly you can only have one of these Councils, what I call a full-fledged Council, if you have an adequate basis of representation on which it can rest. There are in addition to these Councils a number of what are called Interim Reconstruction Committees based on the same joint representation principle which grow

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into full Whitley Councils, as they call them, as soon as the organisation is perfected, and a good many industries at the present moment are rather in that chrysalis state. But if, on the other hand, you have a Trade Board, that is a Wages Board which grew out of the sweated industry agitation some years ago, then you have a number of Government nominees put on to your Board, and my experience is that people as a rule prefer self-government to Downing Street government or Whitehall government, and very healthy that is. But if an application has been refused by the Ministry of Labour it must be for the reason that that industry is not sufficiently well organised to justify the creation for it of a Joint Industrial Council. You can yourselves create a Council and the Government cannot have anything to say to you ; but if it is recognised as a full Council it means that it is the spokesman of that industry in all matters relating to the Government. That is the reason why it is necessary to take careful precautions that it does represent a very substantial majority of any interested." On the second point, where 500 or 600 non-unionists were employed, Mr. Whitley said that a Works Committee could be established, but necessarily it would not have the same status as one based on organisation. There might be useful work it could do, but there was the danger that it might be considered an anti-union device.

Mr. STREET referred to Mr. Whitley's suggestion of calling in the trade union secretary or other official. Where he was employed, 50 per cent of the total employees were trade unionists. The employer asked them to elect their own representatives from the workpeople. Seven were elected by the workpeople, and seven foremen nominated by the employer. The employer came to the conclusion that some influence

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had been used by the trade unionists to get the people to vote for similar trade unionists. Another meeting was held, but the voting was identical.

With regard to unemployment, Mr. Street asked whether each industry, which was supposed to be self-governing, was going to repudiate the "waste" of its industry? He also asked Mr. Whitley whether he had found any jealousy between trade unionists. He had known a case where the members of one union refused to sit with those of another.

Mr. WHITLEY : " With regard to the question of unemployment, one of the developments that I hope to see from this Industrial Council movement is that there will grow up a conscious pride in an industry, and that each industry will claim to look after its own unemployed and not let them go on to the backs of the State. So that the State will only be dealing with a fraction or a remnant who are not claimed by any industry itself. I should like to see that one of the first things dealt with. There is a most interesting Report of a Sub-Committee of the Building Trades Council which has quite recently dealt with that very question, and making this proposal, that the industry itself shall take all its own unemployment on to its own shoulders, and organise its industry so as of course to minimise the amount of unemployment. But when there is unemployment, owing to fluctuations of any kind, it shall uphold the status and condition of life of its own members until full employment comes round again. That is, in my view, what I would like to see. Why should not the cotton industry, why should not any industry with a pride in itself, make that the first charge upon itself? That is what I call the true conception of the human factor. More important than any machinery or any science is the maintenance in vigour and also in spirit of the

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individuals who together make the human factor in the industry. I am so glad that question has been put because it ought to be a first concern of any industry that it should never allow again the disgrace in its ranks of a large number of its workers being thrown upon the streets or even upon the State aid. You may perhaps have observed that I am no great advocate of the Government doing everything. I believe self-government in industry is a better thing than 'hotel' government, of which we have had a good deal during the war. Then secondly, with regard to jealousy of trade unions, I am afraid that is a fact of which I am conscious too, having come across it in more than one place. What are trade unions? Human beings just as we are. Education and experience will get over it. I am glad to say there are on some of these Councils now trade unionists sitting side by side who would not sit at the same table twelve months ago. You know the difficulty if the skilled unionist is sitting side by side with representatives of what he calls unskilled labour. Has not war taught us that the unskilled man very often is only a man who had been deprived of an opportunity, that owing to the poverty of his parents, or, if you like, owing to the ignorance of his parents, he has not the chance of achieving to a trade, but he has stuff in him equal to the best. I am hoping one effect of these Councils will be the breaking down of that caste system, whether within trade unions or within any other divisions or classes of the community."

Mr. CLEGG said that in the firm where he was employed the various unions were fighting each other and each going to the employer and getting the best they could. They called all the trade union officials together and sent a deputation to the management, which was very pleased to receive them, and a firm

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which had been one of the most antagonistic to trade unionism was now one of the best in respect of its labour conditions. The problem was to get over distrust. There were men in every industry who were not afraid to place facts before the employer, and there was a danger in firms who did not love trade unionism that these men got marked.

Mr. Clegg also referred to the question of output, and thought it was unfair to ask men to do their best in unsatisfactory conditions in respect of sanitation, etc. Where he was employed that was one of the questions which the Works Committee was bringing before the employer, and they were on the point of getting it remedied.

In reply to the vote of thanks, proposed from the Chair, Mr. WHITLEY said he hoped they would all become propagandists and advocates of the movement. The Civil Service, the banks, insurance companies, and municipalities were all moving in the same direction. His whole purpose was, without regard to antecedents or ranks or prejudices, to get the maximum from each individual for the benefit of the commonwealth.

Unemployment

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A LECTURE DELIVERED ON TUESDAY, OCTOBER 21, 1919

THE history of the unemployed problem is the history of modern civilisation. In England it dates back in its main aspects to the break-up of the Manorial System and the decay of communal cultivation.

In a simple agricultural community there may be little or no unemployment, for the reason that men engaged in that industry can occupy their spare time working on their own small plot of land and can produce enough to maintain themselves if necessary. The sixteenth century witnessed an agricultural revolution, and during the seventeenth and eighteenth centuries a readjustment of labour on the land took place, but the unemployed problem did not present itself in an acute form until after the Industrial Revolution, which depleted the country districts and filled the towns to overflowing. Before the war the population engaged in agriculture had decreased, and at the present moment something like three-quarters of the population of the United Kingdom live in towns and urban areas. The Industrial Revolution effected a great change in the conditions of manufacture. Industries carried on in the homes of the people, often in small villages, were transferred to factories in large towns, and as the numbers engaged in industrial pursuits increased the social problem became more complex. Under any

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competitive system, especially when highly developed, it must be difficult to keep a check on the large number of workers employed. The most perplexing problem that modern Society has to face has been left to the law of supply and demand. If an employer can make a profit by utilising the labour of the worker, the worker is sure of employment, but when the profit disappears the worker is dismissed. The problem is therefore one of adjusting the supply of labour to the demand for labour, and as the demand for labour consists of hundreds of thousands of separate demands and fluctuates with the calculations and the judgments of thousands of employers, it is clear that there can be no perfect adjustment of the two under the present social system, and the question that remains is whether there is any remedy or series of remedies that will help, I will not say to solve the problem, but at any rate to limit its effect and mitigate the sufferings that result therefrom.

Perhaps the first question to ask is whether it is possible to give any satisfactory definition of unemployment. So many people are called "unemployed" who are really under-employed, and under-employment may become unemployment. Casual labour, for example, may become so casual that the man cannot be said to be employed in any real sense, or personal defects may make regular employment quite impossible. The definition of unemployment given by Mr. Seebohm Rowntree, a definition also adopted by several investigators in America, is as follows : "A person is unemployed who is seeking work for wages, but unable to find any suited to his capacities and under conditions which are reasonably judged by local standards." This may not be a complete definition, but for practical purposes it will suffice. It rules out the unemployables, the inefficient, the work-shy; it rules out workers who are ill or mentally

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defective; but it includes a Trade Unionist who refuses to accept a lower wage than his Trade Union allows him, even though he can obtain work at that lower wage.

It is taken for granted that, if he is out of work because the employer takes on another man at a lower wage, it is genuine unemployment. The employer needs some one to do the work, and either a Non-Unionist or a Trade Unionist will be out of work, if there are two such men competing for the job. Nevertheless, no satisfactory census of the unemployed has ever yet been made in this country, and the nearest approach to accuracy, apart from the abnormal figures represented by unemployed donations, is only an estimate based upon the returns made by the Trade Unions paying unemployed benefit compiled by the Board of Trade and issued in the *Labour Gazette*. There are many other sources of information, but the information is not accurate and there is much overlapping. Even the present grant to the unemployed workman which has been in operation since the Armistice does not decide the point as to how many are unemployed to-day. Many workers are unemployed who are not entitled to the grant because they have not fulfilled the conditions. According to the *Labour Gazette* of September, Trade Unions with a net membership of 1,439,731 (excluding those serving with H.M. Forces) represented 2.2 per cent of their members as unemployed at the end of August. This 2 per cent is about the average, in prosperous times, of labour that is unemployed, judging by Trade Union figures. These figures for August must be read in connection with the fact that on the 29th August 478,084 out-of-work benefit policies were lodged. These policies were distributed as follows :

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Civilians (men)	83,035
Boys	5,006
Women	49,038
Girls	4,053
Demobilised men	334,925
Demobilised women	.	.	.	.	2,027

Of the total number of civilians over 40,000 were in receipt of the reduced benefit paid after the expiry of the first period of thirteen weeks' unemployment. It must be borne in mind that the figures are by no means conclusive ; that there may be, and probably are, large numbers of men and women unemployed outside these classes. On the other hand it is probably true that some at least of those who received the weekly donation of 24s. for men, 20s. for women—raised in December 1918 to 29s. and 25s., and since then again reduced,—could have found work if they had been disposed to do so. It must also be remembered that we have still in the army a very large number of men who will in the natural order of things be demobilised and return to civil life. The armies in the field to-day in various parts of the world are partly Regulars, partly Territorials, and partly Conscripts. Accordingly, in trying to ascertain what are the numbers of those unemployed at the moment or likely to be unemployed in the near future, this large section must be taken into account. Sooner or later the Government will have to institute a census of the unemployed. In fact it might be a good thing if the census returns made this possible. The Trade Union returns naturally only apply to organised labour, and, notwithstanding the great increase of late years in the number of Trade Unionists, half of the workers are still outside these organisations.

I have said that in framing a definition of the unemployed we must exclude the "unemployable." We no longer describe all the unemployed as the

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unfit, but we are forced to the conclusion that large numbers of the unemployable have become unfit through unemployment, and the two problems will have to be solved concurrently. The problem of unemployment is linked up with many other problems and is often the result of poverty. A large class of casual workers until the war never earned sufficient in any one year to rise with their families above the "poverty line." This large class is constantly recruited from among the unfortunate, the untrained, the inefficient, and the vicious. They are not *chronically unemployed*, but they are *chronically under-employed* in the sense that they never do more than a few weeks' full work at any time. They have been manufactured by our present industrial conditions, and of them it might well be said in the words of John Stuart Mill : "There cannot be a more legitimate object of the legislator's care than the interests of those who are thus sacrificed to the gains of their fellow citizens and of posterity." It is an important subject for sociological inquiry, but it must be left out of account in our present discussion, which it would be better to keep within the bounds of the definition which has already been given.

In dealing with the causes of unemployment we must discriminate in the first instance between those who are unemployed for purely personal reasons and those who are suffering from the failure of modern civilisation to solve what is after all an economic question. We must look for causes, because remedies will be futile unless the causes are known and understood. They will be no real remedies but merely temporary palliatives. At the root of the trouble is the failure, for whatever reason, of the modern State to make the necessary adjustment between the demand for and the supply of labour. As to whether industry is capable of indefinite expansion so that it can absorb

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the normal growth of the population it is difficult to say. There must of course be a limit, but it is doubtful whether that limit has been reached. Overpopulation as the cause of unemployment could hardly be maintained while so much work remains to be done to supply the needs of the existing population. The actual fluctuations of industrial activity can be discerned either in seasonal trades or in the cyclical fluctuations of trade, both of which illustrate the maladjustment between the demand for and the supply of labour. When unemployment is due to seasonal fluctuations it requires careful organisation to cope with the evil. Certain trades have their busy and their slack seasons, determined partly by climate, partly by habit, and in measure at all events by overseas production. Let us take a few illustrations, because, after all, they enable us to see the meaning of a problem better than any amount of theory. As a rule few painters are employed during the winter and the painting of the outside of buildings in bad weather is impossible, yet we are beginning to see that it is worth while for Local Authorities to have the interior work of their buildings and institutions re-decorated during the winter rather than the spring and summer, when painters are busy. Such a piece of adjustment is quite possible if only we are willing to take the necessary steps. The building trades are generally busy in spring and summer, and slack during the winter months. At the present moment, owing to the war, there is a great shortage of labour in the building trades, so that for the forthcoming winter there is likely to be no difficulty in this direction; but in normal times building work might be more evenly apportioned between the different seasons of the year, for except in very bad frosty weather and heavy rains building in England can generally be proceeded with. Printers are slack in the summer and busy just before

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Christmas. Many printers, however, have regular work all the year round, and the publishing trade could at least make a greater effort to regularise its work. Fruit packers and fruit growers are employed during the summer and autumn. In connection with the London Docks, timber, fruit, tea, and wool have their special months, and it is only in a measure that the seasonal irregularities from this cause can be eliminated.

Apart from unemployment due to seasonal vicissitudes, the solution of which is by no means impossible, there are cyclical fluctuations due to economic causes that go deep down to the roots of our industrial system. These cyclical fluctuations are a concomitant of trade in all civilised and industrial countries. In England there were periods of general depression during 1866, 1879, 1885-6, 1893-5, and 1904-5. These periods alternated at intervals of from six to ten years with periods of great activity, such as 1872-4, 1881, 1889-90, and 1899-1900. In times of very bad trade and serious depression the number of the unemployed may grow from 2 or 3 per cent to even 10 per cent. In 1912, in one period of the year it was over 11 per cent, and in 1909, an exceedingly bad year, 8 or 9 per cent of the unemployed was quite a regular thing.

At first sight it looks as though modern industry, based on the competitive system and unregulated by any State action, can only grow through a succession of periods of rapid expansion, followed by actual or relative contraction. But we must not regard the law of demand and supply as an eternal verity. If we say that these cyclical fluctuations are simply due to over-production we are in effect passing condemnation on our present social system, which fails to keep track of the need and the demand for certain commodities both here and in other parts of the world. The causes

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of these fluctuations, however, are more deeply seated, and they certainly are not due to over-production alone. It looks as though the remedy might be nothing short of the entire reconstruction of the industrial order and the placing of it on a non-competitive and ethical basis, but as there is no immediate prospect of such a Utopia, measures to mitigate the evil must at least be discovered. It is nothing short of a disaster that large masses of men should be thrown upon the labour market and unabsorbed when there is a *real demand* on the part of the poor for the very goods which have no sale. The problem the country has to face is how to *make the real demand effective*, that is, to increase the consuming power of the masses.

In dealing with the causes of unemployment we must bear in mind that want of employment is not a temporary but a chronic evil. We have said that even in the best of years over 2 per cent will be unemployed. Modern industry seems to require a reservoir of labour, and that reservoir is made up of men from all trades. It is not an excess of labour in any one occupation that we have to fear, nor is the excess of labour confined to unskilled work. The reservoir is filled with men of every trade, and although all the workers in certain trades may have found work in certain years and certain seasons, yet there is a general and normal excess of the supply of labour over the demand, due in slight degree perhaps to the increase of population, but in a much larger degree to the conditions of modern industry, which present us with the paradox that there are always more sellers of labour than buyers—not two jobs to every man, but two men to every job.

We must be clear in our minds that although lack of industrial training and boy labour and personal defects may explain a good deal of secondary unemployment, it would not explain the fact that in all

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trades at certain periods there is large excess of labour, and that even in normal times there is some excess. The problem of unemployment is not the problem merely of the unskilled or the unorganised, it is not the problem of chronic idleness on the part of a few individuals. The cause is, as we have stated, more deeply seated, and to get at it will require far more intensive study and examination on the part of the Board of Trade and the Labour Department than has yet been given to this important matter. An examination of the figures of different Trade Unions, even the least highly organised, will show that while in bad years there is still a considerable number of men, say from 60 to 80 per cent, who escape unemployment altogether, yet even in good years there is a minority much larger than people imagine who fail to find employment, a minority not composed entirely of inefficients. Of course it would be true to say that the inefficients will be found in larger proportion amongst the unemployed than amongst the employed, but inefficiency or personal defects only explain why certain men and not others are out of employment. It does not explain the fact of unemployment itself. It is therefore not a primal cause. We may go further and say that if you could ensure in any one trade that every man should be highly trained and highly skilled and should be without personal defects you could not thereby ensure that these men would all be fully employed. Neither could you be sure of employment for all even supposing every employer of labour was in the best sense a captain of industry, a man of good judgment and organising ability. With first-rate workers and with the best of employers you would still be face to face with the fact that in bad times and in periods of slack trade a proportion of the men would have to "stand off." They would in effect be at the mercy of economic forces over which neither

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men nor masters had control. However well organised any specific trade was in our own country there could be no absolute certainty of demand, since the demand is a world demand and fluctuates in accordance with a vast number of other considerations of which we have no accurate knowledge.

Before proceeding to deal with some remedies that have been suggested it is necessary to recount, however briefly, the history of what has been done in the past to deal with Unemployment. All Governments have regarded the unemployment problem as insoluble, and the only efforts that have been made have been efforts to tide over an emergency, in the hope that a revival of trade may once more render any action unnecessary. In the first instance the unemployed were dealt with by the Poor Law. They were styled "Able-bodied," and received relief in the Workhouse or the Labour Yard. The family were relieved in their own homes, but the breadwinner was often compelled to accept the labour test *inside* the Workhouse. Failing this he received outdoor relief with a labour test, and in some instances, where a labour test was impossible, outdoor relief for a certain period without work. Such a method of treatment has now been discredited. In the case of the unemployable it was of little value, but in the case of the respectable and the deserving unemployed it led to permanent demoralisation and the breaking up of the home. Not only did it demoralise the men themselves, but it had a very bad effect upon the community and doubtless increased pauperism rather than diminished it. It is not necessary for us, therefore, to do more than make a passing reference to a method which, even if the Poor Law were reformed, should only be employed in cases of great emergency. The casual ward system falls under the same condemnation, except that it is rather worse in its effects. It offers board and

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lodging to the vagrant, but it does not reform him. It does not prevent him from applying for charity, and it does not give him any opportunity of finding permanent work if he were willing to work.

In time of great distress *municipal relief works* have generally been started. The Local Authority is called upon by the Local Government Board to take steps to mitigate the distress, and in the famous Circular of 1886 the Local Government Board recommended that in districts in which exceptional distress prevailed the guardians should confer with the Local Authorities and endeavour to arrange with the latter for the execution of works on which unskilled labour may be employed. It was recommended :

- (1) That the work should be such as did not involve the stigma of pauperism.
- (2) Work which all could perform whatever may have been their previous avocations.
- (3) Work which did not compete with that of other labourers already in employment.
- (4) Work which was not likely to interfere with the resumption of regular employment in their own trades by those who seek it.

The types of work suggested include spade husbandry on sewage farms; the laying out of open spaces, recreation grounds, new cemeteries; cleansing of streets not usually undertaken by local authorities; laying out and paving of new streets, etc. It was recommended that the wages paid should be something less than the wages ordinarily paid for similar work, in order to prevent imposture and to encourage those who were out of work to return as soon as possible to their previous occupations. A similar Circular was issued in November 1892, and during that winter ninety-six authorities provided relief work for the unemployed. In 1905 over £100,000 was

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spent by the Metropolitan Borough Councils in wages for the unemployed, apart from the £50,000 voted by the Executive Committee of the London Unemployed Fund. It is obvious that, failing special organisation of the unemployed into classes and grades, municipal relief works must inevitably be costly. The weakest and the most unfit set the pace for the rest. Municipal relief works have not been, as a rule, run in a business-like way. To accept all classes of men and to lump them together and expect them to produce results commensurate with payment, especially payment at the trade union rate, is to ignore the fact that no business would be run upon such lines. We may dismiss also with a word the type of agency for relief which consists of a special *charitable relief fund*. In many cases it has been utilised for the relief not of unemployment but of poverty, not of the unemployed but of the unemployable, and a charitable relief fund is no solution of any specific industrial evil which, like unemployment, has an economic basis. We do not propose therefore to go into the history and work of these relief committees either in London or elsewhere, nor to deal with the colonies which have been established by the Salvation Army at Hadleigh, or the Hollesley Bay Colony leased to the Mansion House Committee by Mr. Joseph Fels, 1903-4.

The only Labour Colonies that in my experience have had any measure of success with the unemployed are Lühlerheim in Germany, and Frederiksoord in Holland. The latter colony, situated north-east of the Zuyder Zee, is one of three, all of which are conducted on the principle of helping the deserving unemployed *with their wives and families*. The colonists are usually unskilled labourers from the town. They work at first on one of five large farms, in order to gain experience. After a certain number of years they are promoted to the class of "free farmer," and

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receive from six to seven acres of land with stock and plant, together with a cottage. But only a comparatively few men can be helped by the colony method, and if such a method is adopted a large and well-thought scheme should be set on foot by the Government. Supported by charitable contributions alone they scarcely touch the fringe of the problem.

The first time that the State officially, by Act of Parliament, deals with unemployment is through the Unemployed Workmen Act of 1905, when Local Authorities were empowered to relieve unemployed workmen in distress :

- (1) By paying cost of migration or emigration,
- (2) By maintaining them in farm colonies,
- (3) By instituting relief works and providing temporary work,

“ in such manner as they think best calculated to put him (the unemployed man) in a position to obtain regular work or other means of supporting himself.” It was also proposed to set up a universal system of Labour Exchanges, but these Labour Exchanges were not established until the Labour Exchanges Act of 1909. The Unemployed Workmen Act did not allow the payment of wages on relief work out of the rates, so that every proposed relief work had to receive the approval of the Local Government Board before obtaining a grant. The authorities set up to administer the Act were composed of representatives of the Poor Law, of the Municipalities, and of Charitable Societies. The Act was unsatisfactory and only a slight improvement on the old method. First there was the idea that the position of the assisted person should be inferior to that of the ordinary free labourer as regards remuneration. Then the farm colony system was looked upon very much as a modified “workhouse test”; and finally, the authorities took it for granted

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that the work upon which the men were engaged was work which would not necessarily in any sense pay for itself. The universal verdict was that the Unemployed Act did not serve what after all was the main object, viz. to secure for the unemployed man some permanent benefit. The Act ignored the fact that in good times and bad times irregularity of employment is a normal feature of our industry. In times of trade depression men who are on the border line of poverty actually sink beneath the line, and short periods of relief work do not remedy the evil unless during the relief work a definite attempt is made to absorb these individuals in the regular channels of industry.

The Labour Exchange Act was passed in 1909 and is now administered by the Ministry of Labour. Under the present competitive system the average man who is unemployed is driven to hawk his labour from place to place and to sell it wherever he can. If he is a man who knows the district in which he is likely to find the employment best suited to him, he may secure an engagement, but the man who does not know "the ropes" is at a very great disadvantage. Personal application where there are vacancies is likely to produce good results, but failing the necessary knowledge it may mean a large amount of wasteful effort. It was proposed to organise the labour market by means of these Exchanges, at which employers could apply when they wanted workers, and to which workpeople could go when they wanted employment. Where all the employers and all the workpeople use the same Exchange, and the Exchanges are well managed, it is possible to say with some degree of accuracy how many superfluous workers there are in that neighbourhood. There will be fluctuations, of course, in the personnel of those employed, one man being distinctly inferior to another and therefore

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rejected, but the numbers would, roughly speaking, be the same in normal times if there are no exceptional circumstances. If all the Labour Exchanges in the kingdom were worked perfectly and every employer and every workman registered his needs, we should then know the measure of the unemployed problem. Of course this degree of perfection has not been obtained, but that does not alter the fact that properly administered they would correct much of the wastefulness to be seen in our industrial life ; wastefulness when an employer has to wait for several days before he gets the man he wants, and wastefulness because men are looking for work in the wrong direction, even though there may be a market for them in the right direction. It is a great mistake to suppose that there is very little such wastefulness. Thousands of men fail to find occupations as readily as they should, and there must be many cases in which a long interval elapses between the need for a man and the filling of the actual vacancy. The excuse that is generally given for failing to use a Labour Exchange is that the employer knows his own business best, that the manager of the Labour Exchange or those working under him fail to send the right type of worker when he applies, and that he is able to obtain at his own gates the men who are required because they are always waiting there to be taken on. It is an illustration of the reservoir of labour to which reference has already been made. It is true that the Labour Exchanges have not up to the present given full satisfaction, but that may be to a large extent because they have not been properly used or adequately manned. Well managed and well used, the Labour Exchange might enable the State to decasualise labour. Let us take for example the labour in any port, especially the labour of dockers and riverside workers. Admittedly the demand is irregular. It

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fluctuates in different classes and in different places. One dock may require a large number of men and another may be almost idle. If all the employers in any group of docks had a method, say through a Dock Labour Exchange, by which they could send their labourers from one dock to another, provided, of course, that the work were not highly specialised, it would be possible to eliminate a very large amount of casual labour. In this connection it is well to bear in mind the experiment of the Liverpool Dock scheme—a report of which has been given us by Mr. R. Williams, Divisional Officer for the North-Eastern Division of Labour Exchanges. Dock work, he points out, requires two sorts of reserves :

- (1) A floating reserve to meet small daily and weekly fluctuations.
- (2) A larger reserve to meet the well-defined seasonal pressure in the winter months.

His conclusion is that “if a reserve of labour is required by any industry, then that industry should maintain that reserve *not only when working, but also when it is unavoidably unemployed.*”

The experience of the Joint Committee goes to prove that the closing of the entry by casual labour to the industry itself is the first line of attack. Then follows the attempt to decasualise, which must be aided in every way by the employers concerned if success is to attend this effort. The policy of decasualisation would in the *first* place relieve the poverty of the casual labourer by giving him more regular work and therefore better pay; in the *second* place it would help the employer, because he would know that he always had a certain number of men upon whom he could draw, men moreover who were not demoralised by the casual nature of their labour that was redundant. Until we have some accurate

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idea of the amount of surplus labour no real attempt will be made to find a solution. It is only very gradually that this policy of decasualisation can be brought about ; but the Labour Exchanges ought to have such a policy, and should make an attempt not to spread the work over the largest number of men possible, but to concentrate it upon the smallest number that can do it efficiently, working reasonable hours of labour. Whatever may be the remedy for the surplus labour when decasualisation is accomplished, there can be no doubt that it would be far better to face that problem, knowing that it was a genuine surplus of labour, than to disguise that fact by giving large numbers of men only a few hours a week. We are driven therefore to the conclusion that one important function of Labour Exchanges is to help in the organisation of labour, and they can do this not only by decasualising labour in any one trade, but, where seasonal fluctuations of different trades differ in point of time, by the transference of the unskilled men from one trade to another. The men themselves to some extent effect this transference, and it is no uncommon thing to find a builder's labourer at one season working in the gas works or in the docks at another. It may not be a very satisfactory method of dealing with seasonal fluctuations, but it is better than having no method at all, and it is certainly an advantage to the man who has to tramp long distances looking for the fresh job.

In 1911 the National Insurance Act was passed, Part II. of which dealt with a scheme of Unemployment Insurance. The object of the scheme is twofold :

- (1) To secure the payment of contributions by all employers and workpeople in certain trades with a view to the payment of benefit to workpeople when unemployed. This side of the scheme is compulsory.

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- (2) To encourage voluntary insurance against unemployment by State grants to associations of persons in all trades and occupations which pay out-of-work benefits.

The compulsorily insured trades are building, contractors of works, ship-building, mechanical engineering, iron-founding, construction of vehicles, and saw-milling. The State contribution is one-third of the total contribution received from the employers and workmen. Benefit cannot be obtained for more than fifteen weeks in any period of twelve months or for more than one week for every five full weekly contributions, the employer contributing $2\frac{1}{2}$ d., and the workman the same amount. There are many other details and conditions which are well known, but the statutory conditions for the receipt of this Unemployment Benefit are :

- (1) That he has been employed as a workman in an insured trade in each of not less than twenty-six calendar weeks in the preceding five years.
- (2) That he has made application for Unemployment Benefit in the prescribed manner and proves that since the date of the application he has been continuously unemployed.
- (3) That he is capable of work, but unable to obtain suitable employment.
- (4) That he has not exhausted his right to Unemployed Benefit.

A workman is not compelled under this Act to accept an offer of employment in a situation vacant in consequence of a stoppage of work due to a trade dispute. He is not obliged to accept a rate of wage lower than that which habitually obtains in his usual employment. There are certain disqualifications for Unemployment Benefit which we need not enumerate,

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but it is important to remember that a workman is disqualified for receiving Unemployment Benefit while he is in receipt of any sickness or disablement benefit or disablement allowance under Part I. of the National Insurance Act. Insurance against unemployment is in its essence for the individual workman *an averaging of earnings between good and bad times, and for the whole body of workmen in any one industry a sharing of the risk to which they are all exposed.* The Trade Union benefit to the unemployed member was the first remedial measure, and the Insurance Act is the strengthening of the scheme by contributions from the employer and the State.

There are two other Acts which affect the unemployed question. The first is the Education (Choice of Employment) Act of 1910, which gave power to Local Authorities to assist boys and girls under 17 (or 18 by the recent Education Act). The method of assistance is by collection and communication of information and the furnishing of advice as to suitable employment. Local Authorities and Employment Exchanges co-operate in this work through Advisory Committees. It is regrettable that so little has at present been done to assist the youth of this country in this respect, and the war has dislocated what work had been set on foot.

The same year witnessed the passing of the Development and Roads Improvement Funds Act. Under this Act the state of the labour market must be taken into account when schemes of work are suggested. Such schemes are sanctioned and proceeded with if there is a shortage of work in certain branches of labour, and specially if the unskilled labour market is overstocked.

It is now possible to state more fully the four principal methods by which we may prevent or mitigate the evil of unemployment.

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- (1) By the steadying and the regularising of industry with a view to reducing cyclical fluctuations to the narrowest limits.
- (2) By the extension of the area of industry or the creation of fresh industries.
- (3) By the establishment of Garden Cities and by transplanting the urban worker to the country districts in close proximity to the town wherever possible.
- ¹ (4) By enlarging the scope of the present Insurance Act and creating a national compulsory and universal scheme of insurance against unemployment.

1. With regard to the first of these remedies cyclical fluctuations can be obviated in two ways :

- (a) By increasing the home demand, which is more or less under our own control.
- (b) By an attempt to systematise the distribution of public work.

It has often been pointed out that we are far too apt to rely in the present day upon foreign trade and the opening up of fresh markets. We neglect a market which lies nearer home, which could be more accurately gauged, and therefore more readily supplied. Owing to the unequal distribution of wealth and the fluctuations caused by the failure to use capital in the right way, the home market is often discounted, and yet there are millions of people in Great Britain who may be described as poor in the sense that their home consumption is so limited that they cannot be a valuable or permanent trade asset. During the war we have seen how greatly the demand of the working classes can be increased by high wages. Increase the consuming power of only a few million people and you have a very big permanent

¹ *Vide* note on page 57.

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trade asset. The relative inability of the wage earner to consume is undoubtedly the direct economic cause of much unemployment. We all recognise that industry, both in value and in character, is influenced by the effective demand of the consumer, but we are apt to forget the amount of demand in our own country that might be made effective if we could enable the mass of the workers to increase their powers of consumption and thereby afford useful employment. In every highly industrialised country production outpaces consumption. We can all look back to a period when the cotton trade in Lancashire was booming and when so great were the profits that the unearned elements of income were poured into this special business. Millions of pounds were invested in a very short space of time with a view to obtaining the large return which this industry then offered. The result was production out of all proportion to the real demand. The demand could not proceed *pari passu* with such enormous productive activity, and the result was, as many of us prophesied, a slump in the market for cotton goods. It is contended that what is wanted to steady any one industry under the present social system is a more equable distribution of wealth, the cutting down of big and swollen incomes to prevent this rush of capital in one or two directions, and finally an attempt to absorb surplus capital in such industries as offer a steady and effective demand for a long term of years. The taxation of big monopolies, of excess profits, of unearned income, has done much to divert the national capital into different channels, but we have only to think of two or three industries in this country which have greatly profited by the war to see how inevitable it is, apart from Government interference, that money should flow into such channels.

The Government may also do much to help by the

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systematic distribution of public work, that is to say, it can counteract cyclical fluctuations by getting as much public work as possible done when private work is slack, provided that this public work is carried out under business conditions. Mr. Bowley suggested in his evidence before the Poor Law Commission that on an average 200,000 able-bodied adults are unable to find employment during long periods owing to cyclical fluctuations. For the purposes of argument we neglect those whose labour is casual or intermittent owing to seasonal changes. Is it possible for the Government and other public bodies who employ labour to counteract the industrial ebb and flow of demand by inducing a complementary flow and ebb? Mr. Bowley suggested that a national programme of work should be thoroughly thought out and that every year so much money should be set aside, say £4,000,000 per annum. That when the Labour Exchanges and the Trade Unions reported the number of able-bodied applicants to have risen above the normal level (4 per cent to be regarded as the limit) the money thus saved should be expended in public work. It would mean the expenditure of some £40,000,000 per decade, and the points that are stressed by Mr. Bowley are :

- (1) No artificial demand to be made for labour, but only an adjustment *in time* of the ordinary demand.
- (2) The demand to be made through ordinary trade sources and before unemployment becomes considerable.
- (3) The wages paid to be measured by the work done on the ordinary commercial basis.

Apart altogether, however, from the possibility of such a scheme, it may be possible to systematise and regularise the distribution of work which under any circumstances would be given out by the Government.

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Just previous to the war a Select Committee was set up by Mr. Asquith to consider the *distribution of public work with reference to unemployment*. I was appointed Chairman of that Committee, which, unfortunately, had to be dissolved owing to the war. Our object was to examine the statistics of fluctuations in all trades, especially in the case of labour directly employed by Government Departments, to ascertain when and why the contract work by Government Departments was given out and whether the money spent by such Departments on certain important works could be better spent at other seasons of the year or in other years. The programme which we mapped out provided for :

- (a) A statistical survey of public expenditure.
- (b) An examination of steps that had already been taken in the past to counteract depression of trade by forethought in the giving out of public work.
- (c) A compilation of the possible openings by which depressions in trade could be counteracted.
- (d) Methods by which the policy of regularisation could be effectively carried out.

My belief is that such an attempt to regularise employment would be extremely valuable, and so far as our inquiry went there did not seem any special reason for the rather extraordinary fluctuations in the contracts of some of these Departments. It is to be hoped that before long another effort will be made in this direction, and it should issue in a Government Regularisation Department working in close touch with Labour Exchanges and the Statistical Department of the Labour Ministry. Such a department would be required :

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- (a) To watch closely all changes in the demand for labour in each industry, and specially the effect of public expenditure upon this demand.
- (b) To keep all Government Departments and Local Authorities informed with regard to the state of trade, and to urge upon them either the speeding up or the holding up of all kinds of expenditure.
- (c) To administer regularisation grants-in-aid to Local Authorities, the payment of which would depend upon the exercise of a due regard to the state of the labour market in expending moneys. The Local Authorities would thus be encouraged to maintain a steady demand for labour, dovetailing the labour of their departments with the industries affected by seasonal fluctuations.

2. *The extension of the area of industry and the creation of new industries* on the initiative of the Government or some Government Department may be the result either of direct or indirect action. Direct action would be, *e.g.*, the afforestation of the eight and a half million acres of land which the Royal Commission on Forestry and Coast Erosion reported as suitable for such a purpose, or the systematic improvement of our canals and waterways. Indirect action would take the shape of subsidies to such industries as aniline dyes, the growth of the sugar-beet, and the manufacture of beet sugar.

It is not proposed to discuss the latter and indirect method of extending the area of industry, as it is apt to open up a field of controversy which I do not desire to enter. In respect of such a comparatively new industry as afforestation—new, that is, to Great Britain—there can be no doubt. The demand during the war for timber has been enormous. It is hardly

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likely to be less during the reconstruction period. It was estimated that about the time of the Armistice we had left in Great Britain supplies of coniferous timber that would carry us to the end of 1919, and pit-wood supplies for another six years, hard woods for from six to ten years. We are unprepared for the future. France and Germany, by scientific management, will gradually replace the vast stocks of timber that have been depleted. There is good evidence that afforestation undertaken by the Government can be made to pay, but the 3,000,000 acres of forests in this country could not be shown to be a commercially profitable investment because no records have been kept. A Forestry Sub-Committee has recommended that 1,770,000 acres should be planted in a period of eighty years at a total cost of £15,000,000, and drew up a plan for the first ten years. Such a scheme would serve two purposes. It would create the source of a future supply of timber, the demand for which is unprecedented, and it would create also a new source of employment in areas all too thinly populated. It is estimated that if one-sixtieth of the total area (eight and a half million acres) could be afforested annually employment would be given to 25,000 men during the four winter months of each year, and that an equal number would derive indirect employment in connection with minor forest industries, with road-making and fencing. The demand for labour would increase and reach its maximum at the end of eighty years. From that time onward the labour provided by the forests would be equivalent to one man per hundred acres working all the year round, or 85,000 men in all. With a combination of agriculture and forestry a sufficiency of labour would be assured for both industries at all seasons.

3. The Garden City and the Garden Suburb should be encouraged and aided by the Government as

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being a simple and most valuable method of enabling workmen to tide over periods of unemployment, and, indeed, to remain employed even during times of industrial depression. The success of this policy has been proved in the case of Belgium even after four years of war. The industrial workmen, by means of very cheap railway fares, can work in the town and live in the country. The crops grown on the land attached to their houses, along with the produce from live-stock, supply the reserve of wealth necessary to prevent them becoming destitute if unemployed.

In England the Industrial Revolution preceded the railways. In Belgium the two movements were simultaneous, so that Belgium has never become so urbanised as Great Britain. Town workers are country-bred and are rooted in the country. More than half the population of Belgium (56½ per cent) are living in the country, although only 23 per cent of the Belgian workers are engaged in agriculture. The probability is therefore that over one-third of the industrial workers are country dwellers, a fact which must mitigate the suffering in times of unemployment and check the demoralisation which almost invariably accompanies unemployment in the town. There are three essential economic conditions which must be observed :

- (1) The possibility of obtaining land in small plots suited to the needs of industrial workers and in the desired localities.
- (2) The provision of cheap and rapid transit between town and country.
- (3) The provision upon easy terms of capital for the erection of houses.

For those who wish to pursue the matter further I should strongly recommend Mr. Seebohm Rowntree's book *Land and Labour in Belgium*. In our

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own country during the war we have learnt the value of allotments, and there is no doubt that the allotment system will, during the next period of serious unemployment, be an important factor in the steps taken to relieve distress. A curious commentary on the success of these allotments is the remark of a railway man that the railway strikers could have held out for a much longer period than the public anticipated owing to the large number of allotments held by these men.

It is not necessary to dwell at length on the importance of the Garden City. In view of what may happen in the near future a vigorous attempt should be made, encouraged, or actually initiated by the Government to start eight or ten more Garden Cities. The opportunity is favourable. Manufacturers who desire a new outlet would prefer the country to the town, providing that transit facilities are good. Houses have to be built in very large numbers, some hundreds of thousands during the next few years. If these could be built in connection with Garden Cities we should have the advantage of cheap land and speedy occupation of all the houses that were built, provided that industries were started near by. If the industrial workman could live in a Garden City with a large piece of land attached to his house, or with land in close proximity, he would not dread, as he does to-day, a period of unemployment. He would be able to tide over that period by supplying for himself a considerable portion of the food which he actually requires. It may seem idle to talk about Garden Cities to-day in face of the difficulties of building, but I am convinced that it is along these lines that we ought to move, and, in addition to many other advantages which I need not enumerate, the Garden City would sensibly help in the solution of the unemployed problem.

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¹ 4. With regard to my fourth and last point, viz. *the establishment of a National Compulsory and Universal Scheme of Insurance against Unemployment*, I need hardly point out that it cannot be regarded as a solution of the unemployed problem, but it has been proved to be a remedial agency of great value. The conclusion of the war has shown that the present Insurance Act must be developed and extended. The unemployment dole must cease, but the unemployment subsidy must be increased. The whole scheme of insurance against unemployment must be placed on a sounder footing. The State must contribute more, and the employer and the workman must each contribute an equal sum. It must be made to embrace all labour, whether organised or unorganised, with this exception, that where either the employer or the Trade Union is able and willing to give equally good terms to their workers or their members without assistance from the State, they should be allowed to contract out. In the case of Trade Unions there is no likelihood of any such action, but there are employers who, feeling their responsibility towards their workpeople, might undertake to establish a system of insurance against unemployment in their own works that would be more generous and more satisfactory than any set up by the State. In any case, all employers of labour in the future, whether individuals or members of big companies, must take their share of responsibility for unemployment. If a reservoir of labour is necessary they must maintain that surplus labour in efficiency.

We are probably all agreed that unemployment is a part of the price that we have to pay for industrial competition. If it is argued that unemployment is a small matter compared with the importance of the free play of forces competing with one another in the

¹ *Vide* note on page 57.

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industrial world, the answer is that it may at any time be a big matter, so big as to threaten revolution, and in any case the tendency is not in the direction of freedom to compete, but rather in the direction of Trusts and Syndicates in which competition is eliminated. This fact may render the solution of the unemployed problem easier just because the forces that are operating are fewer in number. Some Socialists look forward to the time when it will be possible for the State to bargain with, to absorb, or to eliminate the few large Trusts that govern the whole industry of the country. Whether that be possible or not, Socialists certainly have this much to say for themselves, that under a purely competitive system it is impossible to eliminate all unemployment. But imagine a simple little agricultural community. What industries exist are carried on in the home—the blacksmith or shoemaker exchange their labour for the corn or wool of the peasant farmer. At certain seasons of the year labour is checked in certain trades, but since life under such conditions lacks all complexity it is a comparatively simple matter to transfer from one occupation to another, and in any case there is always the land upon which work can be done, land which will provide food and maintain life. In such a little community, almost if not quite self-supporting, unemployment would tend to disappear. To-day, however, we have a very complex civilisation to deal with, and while it is true that we are absolutely dependent on one another for our daily bread, it is just as true that we are ignorant, except in a time of great emergency, as to the form which this dependence takes. There is no power that can make the nation conscious of its unity other than the Government, and it is therefore the business of the Government through the Board of Trade and the Labour Ministry to inform the nation not only of the demand for labour

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in the immediate present, but the possibility of lessened or increased demand in the near future. An attempt should be made to keep the national aggregate demand for labour as uniform as possible, and this would perhaps be done best by preparing schemes of work which could be put into operation the moment unemployment becomes general. To-day, at all events, it ought to be possible to lessen considerably the unemployment that does exist. It is clearly lack of organisation. Properly organised, no man engaged in the building trades need be idle for the next two years, that is, provided that the financial difficulties can be overcome.

The State has now a very large number of national workshops. Some have been sold and some are on the point of being sold. Consideration should be given to the question as to whether certain of these national workshops could not be profitably used by the State for its own purposes, and their possession by the Government would enable Government Departments specially concerned to regularise their labour in accordance with the need. Shorter hours have already been decided on ; an eight-hour day will before long become an Act of Parliament. It is to be hoped that excessive hours of labour are a thing of the past, and an eight-hour day should absorb a fair number, especially of unskilled men and of women, who would otherwise be unemployed. Finally, we must see to it that every one of the hundreds of thousands of lads who leave school year by year should be advised, helped, and trained for some carefully chosen occupation. In so doing we should render the task of placing them in permanent positions in the industrial world far easier than is the case to-day.

It may be thought that the general effect of all this is to encourage Government paternalism, but in the words of Sir Arthur Helps, "Never is paternal

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government so needful as when civilisation is most advanced." Surely it is not beyond the wit of man to discover the happy mean between the grandmotherly legislation which crushes out all independent spirit, and the *laissez faire* policy which, ignoring a great social disease, affects belief in the doctrine of "economic man." This attitude, as de Laveleye said of the land monopoly, is "a sort of provocation of levelling legislation" or even of revolution. It is therefore the first duty of the State, as also its highest and truest interest, to set on foot such constructive reforms as will check the wholesale demoralisation of large sections of the working classes, and restore to the people the assurance, so long denied, that honourable work will be found for all who are willing, and will carry with it a just and certain reward.

NOTE.—The Unemployment Insurance Act of 1911 was extended to other trades in 1916, increasing the number of insured to 4,000,000. In December 1919 a new Act was passed insuring all workers except agricultural labourers and domestic servants. The number of insured rose to 12,000,000. The contributions of men were raised from 2½d. to 3d., women paid 2½d. as before, boys 2d., and girls 1½d. The State contributes one-third of the joint contributions of workman and employer. The benefits are as follows: men 15s., women 12s., boys 7s. 6d., girls 6s. The additional cost to the State is £2,500,000.

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Democracy in Industry

A Plea for Industrial Self-Government

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A GOOD many people are both perplexed and alarmed by the demand of the workers for a share in the control of industry. This applies even to men who have been in the past notable among employers for their sympathy with the claims of Labour. As long as Labour confined its demands and desires to the improvement of its material position under the wage system there were some employers ready to do all they could without damaging their business to meet the claims of Labour, and even to give concessions in advance of such claims. But many even of these men find it a task quite beyond their imaginative powers to realise the meaning of a demand by the workers for control. Nevertheless, there can be no doubt at all that this demand is steadily gaining ground and now has behind it nearly all the thinking elements in the working-class movement.

The reason why so many people find it difficult to appreciate the reality of this demand is that they have a particular way of looking at industry which seems to them to make the demand for control altogether inexplicable. I am not referring now to those persons who regard the rights of private property as sacred and think that industry "belongs" in the full

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sense to those people who happen to have possession of the capital invested in it, but to that class of persons which, though it has no illusions about the sanctity of private property, feels that industry and democracy reside in two quite separate spheres, that there is no meaning in such a phrase as "industrial democracy," and that, while the distribution of the product of industry may be a matter for public regulation, whether by the State or under some other system, the processes of industry and the control of production are essentially matters which fall within the sphere of the expert and the business man. The first necessity in industry, they say, is efficiency, and efficiency depends on having at the top men of enterprise and men who understand thoroughly the technical processes of production and distribution, purchase and sale. There can in this sphere, they argue, be no question of democracy. The workers do not and cannot understand these things, and are therefore necessarily unsuited to the work of control. Starting out from this position, they naturally cannot accept or even understand the demand of the workers for a share in control.

But how many of those who take up this position realise that almost exactly the arguments which are now used against democracy in industry were at one time used against democracy in the political sphere? The argument is as old at least as Plato that the work of government is a work demanding special training and character in so high a degree as to be necessarily the prerogative of a particular class in the community. Ever since Plato there have been philosophers and practical men who have argued on the same assumption against political democracy. Nor are such views silent even to-day. M. Faguet, in France, has written a book under the title of *The Cult of Incompetence*, in which he denounces demo-

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cracy because it substitutes for government by those who know government by those who, *ex hypothesi*, do not know ; and, in this country, Mr. Mallock, in a recent book, has called precisely the same argument to his aid in opposition to political Socialism. Nevertheless, the theory at least of democracy has obtained almost general acceptance in our own time. Men do generally recognise that, however necessary the expert may be in politics, however important it may be that our legislators should have knowledge of the problems about which they legislate and that the electorate should be an instructed electorate, it is none the less true that democracy is right in the political sphere and that the mass of the people have a right to make their will effective as far as democratic machinery can enable them to do so.

It is not, however, at present generally recognised that this argument, which we accept in the political sphere, is applicable no less in the sphere of industry. Still less is it generally recognised that democracy in the political sphere cannot be a reality until industry has been made democratic. These are two of the main points with which I shall deal in this lecture.

I maintain that democracy is applicable to industry no less than to politics, and therefore that the fundamental arguments which apply in the political sphere are no less valid in the sphere of industrial organisation. We accept the theory of democracy in politics because we believe that men have somehow a right to freedom and self-government, and that the organised society which is necessary to an ordered human existence must not be a society imposed from without upon the people, but must be a society expressing as far as possible the real will of the people. This is generally recognised as an argument applicable to society in a quite general sense, and we have only been able to escape hitherto from applying it to industry

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because we have not yet learnt to regard industry in its internal organisation as in any real sense a part of society. Most of us, when we think of society in terms of social and political theory, still think primarily of the State and the organs of local government. Most of us only think of other forms of association which exist in the community as a part of society in a quite minor degree, in so far as they come into contact with the State or local government. That is to say, we regard industry as falling within the sphere of social organisation in so far as Joint Stock Companies and Trade Unions fall under the law, but in so far as they fall outside the sphere of legal regulation we tend to regard them as falling outside society. We are therefore able to avoid applying to industry the principles which, in theory at least, we recognise as valid in the sphere of politics.

The time has surely come when, if the case is clearly put, every one must be prepared to admit the vital character of industry as a public service, and, as a logical conclusion from this, the vital importance of industrial organisation in the structure of society. Not only during the war, but now that the war is over, we realise to what an extent the whole social structure depends upon the way in which industry performs its functions. We hear on all sides demands for the reorganisation of industry, demands coming not only from the Labour movement and the Trade Unions, but also from such employers as Mr. W. L. Hichens. Surely if it is agreed that industry is to be organised as a social service it must be agreed that industry is a part of society, and, if we desire our political organisation to be democratic, we must be prepared to apply democracy also to the organisation of industry. Many persons, Mr. Hichens among them, fail to realise this at the present time, but it seems to me to follow logically, at any rate for every person who really

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believes in democracy at all, and does not merely pay it lip service as politicians do.

This may seem to many people far too theoretical a line of argument. It sounds very well, they will say ; but, after all, the life of society depends on efficiency in industry, and if goods are not turned out in sufficient quantity and with sufficient regularity, the populations of the world will starve, and then where will all the theories of democracy be ? I agree entirely that society depends on industrial efficiency and that the advocates of industrial democracy have to meet the claim for efficient production and distribution. But I think that those who seek to oppose industrial democracy on this ground and contend that it will lead to industrial inefficiency have, to put it bluntly, not a leg to stand on. For they ignore the most vital factor in industrial organisation, the co-operation and willingness to work of the mass of the people who produce and distribute goods and render services.

We have to reckon, in fact, with a changed temper on the part of the mass of the people, or at any rate of a sufficient number of them to be effective, and especially of those who are naturally marked out as their leaders. These men and women are no longer prepared to co-operate effectively in any system over which they have no control and which they feel to be operating in an anti-social manner. I do not mean, of course, that the manual workers are the only people upon whom industrial efficiency depends or will depend in any system of organisation, but I do mean that the withdrawal of the co-operation of the manual workers is of itself enough to lead to industrial inefficiency, and that this withdrawal is taking place every day.

It is useless to meet this changed temper of Labour merely by denunciation or by exhortations to

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produce more. It is useless to denounce it as the work of agitators, to say that the British working man is sound at heart but is led away by those who have gained control of the Trade Union movement ; for this would mean denouncing all the most intelligent and best-educated elements in the working class. Nor is it of any use to exhort the workers to produce more ; for their failure, if there is a failure, to produce enough depends upon causes which these exhortations as a rule entirely miss—upon a distrust of the present industrial system and a feeling that there is no reason why the worker should overstrain himself, unless he can see a motive of public service clearly at work in industry. Moreover, it is not the case that the demand for control is a clearly and plainly formulated demand. It is clearly formulated in the minds of some of the leaders, but, even where it is not so formulated, it is seen in a vague unrest or active discontent over matters which may seem trifles in themselves. The fact is that it is impossible to conceive of the removal of unrest without a drastic reorganisation of the industrial system, and, what is more, that unrest is certain to grow more and more general and to find more and more frequent expression until this reorganisation is taken seriously in hand. It is the unformulated even more than the formulated demand for control that constitutes the problem of the present day.

At present we are hanging doubtfully between two courses. Our politicians have spoken a great deal of the approaching reorganisation of industry and society generally. They have told us again and again that the old world has passed away and that a new order must take its place, but when it comes to the point of carrying out any change in the social structure almost every one of our present leaders shrinks back as soon as he becomes aware of the

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tremendous obstacles which stand in the way. He cannot hope to make the change without overthrowing some vested interest or group of vested interests hostile to it. He therefore tries to carry on with small adaptations of the present system, although these adaptations can do no more than tide over the particular emergency, and although the problem is certain to recur in an aggravated form within a very short time. It is a plain fact that not only in this country but on the Continent of Europe and in America the old industrial system is gradually drifting towards the rapids and that the pace at which it is moving to its end is steadily increasing. It is becoming more and more difficult to make budgets balance, to maintain international commercial relations on a stable basis, to ensure adequate production, to see that the production which does take place is not diverted from the making of necessities to the making of luxuries—in short, to provide that the industrial system shall, even approximately, fulfil the needs of the population. It is our business to seek some way of industrial re-organisation by which, without being frightened of making drastic changes, we may at the same time avoid an absolute catastrophe, and succeed in changing over rapidly but gradually from our present capitalist system of production to a system of industrial democracy.

This brings us to the central group of questions which we have to face. What is the nature of the demand for industrial self-government which is being made by the workers in this and other countries? How would it affect the productivity and efficiency of industry? How would it affect the distribution of commodities and the service of the consumer, for whose use, after all, services and goods are intended? How would it affect the structure of society and the relations of man and man within the social order?

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As I have said, the demand of the workers for industrial self-government is not in all cases clearly formulated, and there are several schools of democratic thought whose solutions differ to a certain extent. Let us begin with the two main theoretical schools of thought which advocate an extension of workers' control in industry, and let us pass on from them to actual proposals made in certain of the main industries of the country.

The two main schools which advocate control by the workers are the Marxian Industrial Unionists, chiefly organised in the *Socialist Labour Party*, and the National Guildsmen, or Guild Socialists, organised in the *National Guilds League*. I must try to describe the essential characters of these two schools of thought. The Marxian Industrial Unionist starts from the standpoint of the economic conception of history. He regards the present social situation as the final, or almost the final, phase in a class struggle in which the proletariat, having been brought into existence by the *bourgeois* or capitalist class for its own profit, is now transcending that class and beginning to compass its destruction. He regards the State as the political expression of the capitalist class, the protector of property, the "executive committee for managing the affairs of the whole *bourgeoisie*"—to use the words of the "Communist Manifesto." He therefore works for the overthrow of the present system, which he would accomplish by the organisation of the working class into a coherent body strong enough to overthrow and replace Capitalism. His revolution is an economic revolution, his instrument the "dictatorship of the proletariat." His thoughts are mainly upon this revolution, and are upon industry only in a secondary sense, only in so far as industry is the instrument of this revolution. He regards industrial organisation and action as the instrument of revolu-

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tion ; and in this sense, although his method is economic, his object is in a broad sense political. He desires, of course, that industry should be controlled democratically, but his thoughts are much more on the catastrophic revolution which he regards as necessary in order to make industrial democracy possible. This was seen, for instance, in the Russian Revolution, where the importance of the brain worker to industry was only slowly realised when the Marxians attempted to put their system of proletarian factory control into practice. It was one of the differences between the Russian and the Hungarian Soviet Revolutions, that the latter profited by the experience of Russia in realising at the outset the importance of the brain worker in industry.

I do not mean to suggest that the Marxians ignore the brain worker. They do not ; but they insist on the " proletarian " character of the revolution and will only accept those who range themselves definitely with the proletariat. They claim the entire control of industry by the workers, but do not absolutely define what they mean by the term. Pressed on this point, they will agree that the brain worker is important, but will make it a condition of the brain workers' share in the control of industry that they should rank themselves with the proletariat. Their minds, however, are fixed not on the problem of industrial administration, but on the problem of stimulating and compassing revolution.

The Guild Socialists are sometimes denounced by the Marxians as the latest of the *bourgeois* theorists who attempt to lead the workers astray. This is presumably because the Guild Socialists are thinking much more directly of industrial organisation and of the possibilities of a new and democratic industrial order, and therefore realise far more clearly the position of the brain worker and the importance of

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assigning to him his true function in industrial control. The Guild Socialists, moreover, do not join with the Marxians in demanding a catastrophic revolution. They regard the State at the present time as the "protector of property," just as the Marxians do ; but they realise the importance, in a reorganised social system, of assigning the ownership of industry, not to the groups of workers employed in each industry, but to a democratic organisation of all the people in their capacity of consumers. In the reorganisation of industry they stress much more than the Marxians the need for assigning to the brain workers a definite position and status in industrial control. The workers' control of industry at which they aim is control by all the workers by hand or brain, not indiscriminately but in accordance with their functions in the industrial organisation. They recognise the peculiar position of the brain worker and his vital importance to any industrial system which is to be efficient. They therefore work for a partnership in control by workers by hand and brain, and look for an alliance between them in winning this system of control. In their practical relation with the brain workers and hand workers they are always striving to make the manual workers realise the value of the brain worker and seek alliance with him, and the brain worker realise that his true interest does not lie in perpetuating the capitalist system, but in accepting a position in accordance with his function in a democratic organisation of industry.

Moreover, the Guild Socialists see the importance of preparing for the complete industrial democracy which is their ideal by working towards it by a succession of stages. In factory industry they regard the development of Trade Union workshop organisations—not joint organisation in the workshop of employers and employed, but exclusively Trade Union organisa-

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tions,—and the assumption of workshop control by such organisations, as a first step towards industrial democracy. They press for the gradual assumption of control in the workshop through such measures as—

- (1) the “collective contract,” by which the whole of the workers employed in the shop would contract for a lump price for the whole output of that shop and then arrange the details of production among themselves; and
- (2) the choice of foremen by organised workers instead of by the employer.

In other industries, such as mining and transport, which are in the nature of basic industries ripe for nationalisation, they demand national ownership, not in order to establish a system of industrial bureaucracy in place of private enterprise, but in order to make the first experiment in joint control by the workers by hand and brain.

Having taken this general view of the two main theoretical schools of thought which advocate the control of industry by the workers, let us look rather more closely at a few main developments of the practical idea in the Trade Union movement. The miners and railwaymen in this country and in the United States furnish interesting examples of such practical developments.

The programmes actually put forward by the great Trade Unions of this country do not in most cases profess to be directly based upon either of the ideals which we have been describing. There has arisen on the part of a growing section of the organised workers a demand for control or for a share in the control of industry. This demand is in part the direct product of the circumstances in which the worker is placed

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and only in part the result of any theoretical influences. Indeed, it would be true to say that the demand for control arises naturally, and that it then becomes formulated and defined under the influence of the schools of thought which we have been describing. In practice, when Trade Unions put their demand for control into an actual programme, it usually approximates more closely to the Guild Socialist than to the Marxian ideal, even if in part the driving force behind it comes from men who call themselves Marxian Industrial Unionists rather than Guild Socialists. This is the case both on the railways and in the mines in this country. The organised left-wing movement among both the railwaymen and the miners, rank and file, is largely Marxian in theory ; but the actual demands put forward by the Unions through their official machinery are distinctly nearer to the Guild Socialist idea. For instance, whereas the Marxian Industrial Unionists, in theory at least, repudiate State ownership and desire ownership and control of industry by the workers, the official programmes both of the railwaymen and the miners, which the majority in practice support, advocate ownership by the State together with partial control by the workers, and admit of the participation of other than Trade Union elements in control. The National Conference of District Councils of the National Union of Railwaymen, the active spirits of which are largely Marxian in theory, has in fact adopted a resolution moved by a Guild Socialist pressing for State ownership and joint control. The actual differences do not count for much in practice ; for when it is necessary—apart from a revolution—to construct practical demands in a practical form they inevitably assume the shape of public ownership with a greater or smaller element of Trade Union control.

The most developed scheme for assuming a real

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share in industrial control yet put forward by a Trade Union in this country is that formulated by the Miners' Federation and presented by its spokesmen before the Coal Industry Commission. That scheme, submitted by Mr. Straker, Secretary of the Northumberland Miners' Association, and exactly formulated in the shape of a Bill for introduction into the House of Commons, shows the stage to which the more advanced Unions in this country have at present advanced in their demand for control. It proposes State ownership of the mines ; but it does not propose State management or bureaucracy. Its principle is rather that of the immediate concession to the organised workers of a substantial element in control both nationally and locally, and the exercise of this control by them in partnership with the experts and brain workers, who are no less essential to the industry. Thus, when the miners propose that they should nominate half and that the State should nominate half the representatives on the Mining Council which they desire to have established, their intention is that the major part of the State nominees should be experts and representatives of the managerial and technical staffs. Were these mining brain workers thoroughly organised and prepared to co-operate with the miners in control, a scheme could be devised whereby they could choose their direct representatives on the Mining Councils in the same way as the miners; but the miners can hardly suggest that the managers should have so many representatives on the Mining Councils if the Managers' Associations do not themselves put this demand forward. I believe that the reason why this position exists, and the experts do not put forward a demand for control equally with the rest of the workers, is to be found in fear of the owners, and I believe that if they were certain that the miners' scheme would be carried into effect, the brain workers would be quite

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ready to co-operate with the miners in making that scheme a success.

The schemes of control put forward by the workers are very often criticised on the ground that what they suggest is control by the manual workers alone. This, I believe, is a very unjust criticism in so far as the schemes put forward by the railwaymen and the miners are concerned—that is, wherever a demand for control has been put forward in a detailed and practical form. The miners and the railwaymen have recognised the value of the brain worker in industry, and their desire is not to control industry for themselves, but to enter into partnership with the brain workers. They hold, as the Guild Socialists hold, that the real interest of the technical and managerial staffs of industry lies not in the maintenance of the capitalist system of industrial organisation, but in the substitution for it of a system of control by the workers “by hand and brain.” The argument in favour of this view, from the standpoint of the brain workers, is that, whereas the present system thwarts their desire to serve the public to the best of their ability by diverting their efforts to the making of private profits, a system of joint control under public ownership would set them free to do their best to make their service efficient and to give the public what it needs.

It is important, in the miners' scheme, to realise that the system of joint control proposed is not merely a national system under which a certain number of miners will have seats upon the National Mining Council, but is a scheme also for joint control in the districts and in the various pits. In the same way, when the National Union of Railwaymen demands equal representation for the railway workers upon all bodies exercising control over the railways, it explicitly states that this equal representation is to apply locally as well as nationally. In other words, the

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object of the organised workers is not only that of softening the incidence of centralisation by securing direct representation at the centre, but that of applying throughout the whole system of industrial management the democratic principle, so that the workers in a particular pit or railway centre will share in the control of those matters which affect them most, and will also have a share in the necessary work of co-ordination over a larger area by representation upon the higher controlling authorities. There can be no real democracy unless the democratic principle finds expression locally as well as nationally ; for it must be clear that the mining worker is better able by his training and experience to exercise control over the small things which directly affect him in the pit or workshop, and that in dealing with such matters he will gain most valuable training for control over the wider area of the district or the country as a whole.

It is often objected to the schemes put forward by the miners and the railwaymen and other bodies of workers that these involve the break-up of the sovereignty of Parliament, whatever that may mean, and that it is necessary, if parliamentary sovereignty is to be preserved, for the responsibility for the control of any industry to remain in the hands of a Minister of Cabinet rank and ultimately of the Cabinet itself. To affirm this is to deny the desirability of industrial democracy, and I should affirm most strongly that if industrial democracy conflicts with the "sovereignty of Parliament," or, as it is far more likely to do in practice, with the *de facto* sovereignty of the Cabinet, then the "sovereignty" of Parliament or Cabinet must give way. I do not mean that we must displace Parliament and install industry in its place, but that we must recognise industry as a distinct and separate function in society, and be prepared to modify our theory of parliamentary government and our practice

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of Cabinet despotism in order to allow for the development of industrial autonomy. Let us see how the scheme put forward by the miners would work out in practice as far as this point is concerned. Instead of a Minister theoretically omnipotent in his own department and responsible only to Parliament and to the Cabinet, we should have as the body responsible for the working of the mines a Mining Council, of whose members half would be representatives of the working miners and the other half mainly representatives of the brain workers connected with the industry. This Council would have a President who would be a Minister ; but he would have no right to override his Council, which would be an executive and not merely an advisory body. This does not mean that the Mining Council would be supreme in all matters relating to mining. It means only that it would be the supreme executive authority so far as production of coal was concerned. It does not mean that it would be free to fix coal prices to suit itself without reference to the public interest, or to make a "profit" out of the working of the mines ; for neither the fixing of prices nor the making of a profit are powers in the least necessary to the working of the mines from a productive point of view. The fixing of prices, it may be agreed, is a function, not of the miners, but of the people as a whole, and we have no intention of nationalising our coal industry and thus eliminating one form of profit only in order to substitute another form of profit for it. If prices are fixed by representatives of the public—say a Parliamentary Committee, presided over by the Minister of the Mines, and attending specifically to mining questions from the public point of view—and if all surplus realised from the working of the mines passes into the public Exchequer, there is no infringement in this of the self-government of the miners in their

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own industry. For industry is not only a form of production in the democratic control of which the producers have a vital interest, but also a means to the satisfaction of needs and an important part of the structure of society as a whole, in which the consumer and the citizen have rights and must receive practical recognition. Not the least interesting feature of the Straker scheme is that it proposes, in the first place, to leave Parliament the supreme financial body in dealing with the mines, and secondly, to provide a distinct Consumers' Council, through which various classes of consumers will be able to make their voices heard, and see that the industry is run in such a way as to meet their legitimate demands.

Neither the railwaymen nor the postal workers, who have formulated in general outline schemes of control similar to those of the miners, have gone into anything like the same detail as the miners in their proposals. This is because they have not yet been confronted with a situation of such immediate urgency as that which met the miners at the beginning of the present year. A year ago the miners' scheme was only formulated in general outline. It received definiteness and substance when circumstances forced upon the Miners' Federation the necessity of throwing it into a practical shape. The same will happen in the case of other industries as the question of their nationalisation and control becomes an urgent practical issue.

One of the most significant things about the demand for control is that, although there is no common body of doctrine and no adequate means of discussion between workers in the various countries, and although on the question of control of industry there has been practically no consultation between them for some years past, the demand for control is assuming closely similar shapes in most of the advanced

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industrial countries. Thus, allowing for the different political and economic circumstances, we find that the workers in Great Britain, in Germany, in the United States, in Italy, and in France, to say nothing of smaller countries, are all propounding solutions which possess a great number of important common features. The demand for a share in control is world-wide, and, although the precise form which it assumes is largely influenced by the conditions of the various countries, the resemblance is so close as to make clear that the ideas which are abroad in this country are far less the dreams of mere social theorists than interpretations and formulations of tendencies which are present throughout the industrialised nations of the world.

Thus, the *Plumb Plan* in America, first formulated by the organised railway workers and now adopted also by the miners, presents with important differences a close analogy to the Guild Socialist proposals and to the proposals of the Miners' Federation in this country. The differences are indeed distinctively American; for while the *Plumb Plan* proposes that the whole of the railroad services should be nationally owned and that the control should be divided in equal proportions between the manual workers, brain workers, and the State, and is thus at once similar to and different from the British proposals, the American advocates of industrial democracy do not propose the complete abolition of profit, but desire to retain the incentive of personal profit in a very modified form under State ownership by providing that a certain proportion of any surplus realised by the reduction of working costs on the railroads should be divided among the manual and managerial staffs. In America, as here, it is proposed that the fixing of rates and prices should remain in the hands of the State, that the sharing of control should be local as well as national,

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and that the expropriation, with compensation, of private interests should be complete. The only important difference, apart from the difference in the proportions in which the *Plumb Plan* proposes that the control shall be shared among the various groups, is that which provides for the maintenance of a financial incentive in a modified form.

In Germany the whole state of political and economic affairs has been so confused that demands and projects have not been put forward in anything like so coherent a form ; but there is ample evidence to show that German Trade Unionists are seeking very much the same remedies for industrial chaos as the workers in Great Britain, and that the modified "Räte" system in Germany, so far as it is free from governmental interference, tends towards an analogous scheme of control in industry.

In France the General Confederation of Labour at its recent Congress has adopted a scheme which shows again certain noticeable national differences, but which also brings it into line with the Guild Socialist idea. France was the original home of Syndicalism, and the French Trade Unions have always been markedly anti-political and have set before themselves the idea of control of industry by the workers. Their recent Congress, while emphasising the old decision not to enter into alliance with the parliamentary Socialists and reaffirming the old aloofness from political affairs, has modified its programme by laying down that industry should be controlled jointly by the representatives of producers and consumers. This seems to be a free and natural evolution of French ideas from theoretical Syndicalism in the direction of functional self-government as represented by Guild Socialism in this country.

I am accumulating these instances, which show so clearly the international character of the movement

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towards industrial self-government, in order to emphasise the fact that the demand for self-government is not, as some critics maintain, the product merely of the theoretical proclivities of certain intellectuals attached to the Labour Movement, but is a demand which comes naturally from the workers themselves, and one which intellectuals, in so far as they affect it at all, only formulate and make more precise. It now remains to put the case for industrial self-government upon the strongest ground, or at least upon the ground on which it is likely to appeal most strongly to most people in this country, that is, the ground of practical necessity and expediency.

The position of industry at the present time will be generally admitted to be extremely unsatisfactory. Industry has as yet shown few signs of recovery from the shock of war conditions, and it is clear that, whatever may be the state of world markets and the commercial possibilities of the future, there is one factor which the war has profoundly changed, the attitude of Labour towards the industrial system. There was plenty of Labour unrest before the war ; but the unrest of those years was generally of a strictly limited character, or, if there were ideals behind it, had hardly made the attempt to formulate those ideals in a practical or constructive manner. There was no developed alternative to Capitalism except State Socialism, and, although the theory of State Socialism was accepted by the Labour Movement, it was not believed in in the full sense which meant that it would call up such emotions as to result inevitably in drastic action. There was discontent with the profit-making system, but there was no widespread or general revolt against it. Now, five years later, I believe that the conditions not only in this country but in other countries also have changed fundamentally. There is not only discontent with profit-making ; there is revolt against

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it. Moreover, the power of the workers has grown so immensely that there can no longer be any doubt of their power, if not to compel society to adopt any form of industrial organisation which they desire, at least to assure the inefficiency of any of which they do not approve. Thus, if we attempt to carry on the old system with only minor modifications—to patch up Capitalism—and endeavour to persuade the workers to go on working under it, my firm conviction is that, although we may succeed for a time, our industrial system will inevitably, under these conditions, become progressively more and more inefficient and chaotic, will be marked by an increasing number of strikes and industrial crises, and will more and more fail to ensure to the public even such efficiency of service as it ensured before the war. In fact, I believe that the reconstruction of Capitalism which is now being attempted, if it is persisted in, will end in the total collapse of Capitalism, and will result in a chaos out of which a new order will only arise after much unavoidable suffering has been experienced, not by one class alone, but by every class in the community. There will be many who will not accept this version of the facts of the industrial world to-day. Probably I shall not be able to persuade them that I am right. I can only say that I am profoundly convinced that this account of the facts is true.

I do not want the industries and services of this country to become more and more inefficient until it becomes possible to begin the building of Socialism amid the collapse of all the institutions of the society we live in. That is the experience—by no means a pleasant one—through which Russia is passing to-day. I want us to make the transition from autocracy to democracy with the least possible friction and with the least possible intervening period of inefficiency. I believe that, if we take the real reconstruction of

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industry in hand firmly and at once, it is possible to make the transition without this period of chaos, or at the least to build up a partial organisation which will immensely mitigate the results of any general breakdown of the capitalist system of finance. But I do not believe this can be done by endeavouring to rebuild upon the basis of private Capitalism. It can, I am convinced, only be done by making a new start in one industry after another under public ownership, and by altogether abolishing in each of these industries the incentive of private profit.

To abolish private profit is not indeed enough ; for public ownership if combined with State management, or in other words bureaucracy, will not solve the industrial difficulty or enlist the co-operation of Labour on which the future efficiency of industry depends. We must have public ownership and abolish profit-making ; but we must also have democratic control in order to ensure that Labour and management will give their best services to the public under free conditions. We have an opportunity of making an experiment in public ownership and democratic control in two of our most vital industries, the mines and the railways. If we throw this chance away it may not recur, for every day and every year we allow the present system to persist makes the task of changing it more difficult. I therefore see in the organised workers' demand for the right to serve the public under free conditions, without either private profit-making or bureaucracy, the best hope for the organisation of industry as a free and efficient public service. Others may see in it the impending ruin of society. I would only ask them whether they have any alternative suggestions to put forward for preventing that ruin, and remind them that they cannot hope to make their suggestions effective or to conduct industry in the future without the co-operation of the organised

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workers. The central fact that we have to remember about the industrial system is the psychological fact that workers are human beings with wills of their own, and that, now they have become possessed through their organisations of great power in society, it is useless to say that this power ought not to exist. We must recognise their power and endeavour, by giving it full scope within an ordered social scheme, to harness it to the work of serving the best interests of society, and so prevent our civilisation from being torn to pieces by the faction feud which is the inevitable outcome of capitalist production in this, I hope, final phase of its development.

Industrial Unrest :

Some Causes and Remedies

BY PROF. J. B. BAILLIE, O.B.E., M.A., PH.D.

A LECTURE GIVEN ON TUESDAY, NOVEMBER 11, 1919

THE constant public discussion of Industrial Unrest is only justified by the insistence of the problems it presents, otherwise by this time the subject would have grown wearisome. As a condition of industrial life in this country it is by no means something new, as so many people seem to imagine. Every one acquainted with the history of social and economic struggles during the last hundred years, knows that, from the beginning of the industrial revolution in modern methods of industry, strife and discontent with the economic order have been the sad but inseparable accompaniment of our economic development. In times of prosperity they have been the dark shadow in the picture of material advancement ; in times of economic adversity they have assumed greater prominence and occupied the foreground of our national life. Industrial unrest, because it concerns so intimately the life of the poor, will, as long as there are poor, be always with us. The peculiar characteristic of the condition at the present day is that it speaks with a stronger, a more authoritative, a more unanimous voice than it has ever done in its previous history. Whereas formerly we might have serious trouble in one isolated industry or in one locality, arising from a comparatively simple combination of causes,

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now the condition is general; it affects quickly and widely a whole vast complex of industries, and covers, in most cases simultaneously, the chief industrial areas of the country. This is a very different state of affairs from that which we have hitherto known, and calls for more than a passing remark, for it gives industrial unrest an importance which concerns the very foundations of our whole national life.

The reasons for this novel character of unrest at the present day are in the main three. In the first place the forces of labour are more extensively and carefully organised to-day than ever before for the purpose of ameliorating the conditions and redressing the wrongs of workmen.

A second reason is the gradual growth of a new conception of industrial life amongst work-people. I may perhaps best describe this principle as that of the democratisation of industry. It essentially means that in industrial enterprise the interests of the majority concerned are paramount, or are first in importance, and that the methods of conducting any industry must be moulded so as to secure and ensure first and foremost the welfare of the majority of individuals whose lives are dependent on the industry.

The third reason for the novel character assumed by unrest at the present day is the increasing inseparable interdependence of industries under modern economic conditions. This reacts on the work-people and compels them to feel their interdependence on one another.

As a rule consideration of this unrest takes a pessimistic form. The state of unrest is looked upon as something to be deplored; and ready-made, often hastily conceived, remedies are suggested, as if the whole situation could and should be altered as soon as possible and at any cost. I do not share this view.

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Unrest is not in itself wholly an evil, and no remedy has yet been proposed which is likely to remove this condition of industrial life completely and for ever. As long as labour is irksome and toil brings discomfort, as long as industrial activity is subject to the influences of chance and the contingent effects of changing circumstances in conflict with human desires and aspirations, there always will be unrest in industrial life. Unrest has its source in the efforts of men to improve the conditions under which their daily life is carried on. It is safe to say there is no discontent merely for the sake of being discontented. It is amelioration of the lot of the toiler that is sought after in all these labour troubles; and so far from this being an evil it is in my view wholly to the advantage of a healthy social life.

Again it is a mistake to suppose that unrest implies a constant danger to the stability and unity of the life of the community. Properly understood it is just the reverse. The dissatisfaction with present conditions is indirectly a condemnation of the lack of the stability and harmony which should prevail in a healthy community, and involves a demand that a completer unity between individuals should be established. It implies a deepened sense of the value of the common life men share in a society, and not antagonism to the community. It is because so many individuals are deprived of or prevented from enjoying much that life in a civilised community has to give, that resentment is felt at exclusion from the privileges of civilised existence. We see this point emphasised in many ways. I take an illustration which has constantly come within my knowledge. Men feel that under the present conditions of industrial life they, or at any rate the best of them, have no opportunity to share the higher interests of mankind which are fostered by knowledge and literature. The demand to share these sources of

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human satisfaction is in no sense hostile to the existence of a common life ; on the contrary it implies a desire to live more closely in communion with their fellow-men, for nothing makes for fellowship so much as common enjoyment of human ideals and the treasures of humanity.

Further, it is extremely important to observe that if industrial unrest were at heart anarchical, it is quite certain that there would be less patient endurance of the evils complained of and more rapid methods would be adopted for getting rid of them. What we actually find is that the great majority of those who feel the dissatisfaction most acutely and on whom the hardships of present circumstances bear most harshly, are prepared to go slowly and to effect the changes desired with the minimum of disorder and inconvenience to the community. Such an attitude is only possible because the men who have so much ground for complaint have at the same time a strong sense of obligation to the community to which they belong; and on the other side they feel that the community as a whole is under obligations to them, and should and must fulfil these obligations. This deep conviction of underlying reciprocal obligation between the community, whose resources enrich the life of the worker, and the worker, whose toil preserves the life of the community, is one of the most healthy and hopeful elements in the situation with which we are dealing. It controls the temper and the passions which dissatisfaction with present conditions might very readily unloose, and enables the leaders to take large views and work on constitutional lines. And there can be little doubt that the insistent appeal to the employers on the one hand and to the community on the other, to deal fairly with admitted grievances, has gone far to quicken and to extend the sense of the corporate responsibility of the nation for the maintenance of the welfare of the individual worker. We

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might even say that nothing but industrial unrest could awaken the community to its duty to those who suffer from the conditions which the community has permitted to exist.

Another invaluable effect of the state of unrest we are considering may be mentioned. It has created on a scale unknown before a sense of the brotherhood of labour. On the other hand it has ceaselessly inculcated as a principle of social and individual action that labour is neither more nor less than social service, that the production of wealth and the attainment of human welfare involve one another, that the economic order of society is no longer to be regarded as a machine of which the worker is only a component part, but must have a moral and a human end if it is to control the lives of men and women.

The causes of unrest are partly mental and moral, partly economic, partly political and social, if these can really be separated from one another. Some of the causes are temporary, some are practically permanent. It is essential to keep these distinctions in mind if we are to get close to the heart of the problem. The surface of the movement is by no means the best indication of its real significance ; while to reduce the operating causes to one general cause is to attach undue importance to one factor in the case, and is certainly misleading and inaccurate.

Take first then what I have called the mental and moral factor at work. To the vast majority of mankind, labour, manual toil, with its daily routine, its rigidly fixed hours, and its long days of constant physical effort, is wearisome, irksome, and oppressive. Not that man is naturally a lazy fellow ; but men find as a fact that there is so little room for free choice in the adoption of their calling, and so little joy in the exercise of it, that their whole nature at times cries out for more liberty, for fuller opportunities of enjoyment

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of what life in a civilised community has to offer. It is inevitable that a man should endeavour either to ease the conditions under which he spends the hours of labour or to shorten the hours of labour so as to have more time, as he says, to do what he likes and not what he is compelled to do ; or he may try to do both. And he is restless till he gets some satisfaction for his wants in one or other of these directions. This is purely a mental condition, a frame of mind, and can only be met by securing more of what he takes to be mental freedom. He resents and seeks to alleviate the cause of drudgery in his life ; and when masses of men feel and desire to achieve this result we have industrial unrest on a big scale. We must expect it and we cannot escape it so long as labour is what it is. Machinery has only lightened the burden of toil, it has not removed its oppressive monotony ; on the contrary, machinery has in a vast number of cases increased it, for the monotony of a machine, especially the less complicated machine, tends to reduce the worker to its own mechanical level. No doubt the highly complicated machine has a peculiar interest of its own, and in certain trades the man and his machine become so tuned to one another that the workman is even happy in tending it. I was greatly interested in discovering, for example, that the rattle and hum of a lace-weaver's loom, which to the uninitiated is harsh and grating, can so permeate the nervous structure of the weaver that it assumes in course of time a quasi-musical rhythm in the presence of which he feels a peculiar pleasure, a pleasure so genuine that old weavers who have retired will return to the factory to hear once more the music of the loom. But this is probably exceptional. The desire to lessen the arduous and monotonous character of toil is one enduring cause of unrest.

Again the apparent or real accident of fortune

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which places one man at a disadvantage or in a condition of inferiority to another in obtaining a livelihood, and which turns one into an employer and another into an operative, cannot but stimulate into activity the dormant passions of jealousy, envy, suspicion, and distrust with which human nature is endowed. It is useless to close one's eyes to the fact that these passions, however they originate in special circumstances, are inseparable accompaniments and are partially causes of industrial unrest. The division of the industrial world into employers and employees, masters and men, inevitably gives rise to separation of interests, to class consciousness. The distinction is kept up by all sorts of conditions, some natural and reasonable, others artificial and arbitrary. The division between the two becomes accentuated by each seeking its own interest and advantage at the expense of the other, by separate forms of education and manner of life. They rarely meet except to bargain or to give and receive orders. Their minds tend to become alienated from one another. Understanding and sympathy are easily broken or in extreme cases lost altogether. Yet the two are inseparable in the enterprise of industry.

Closely connected with what I have just described is another source of disturbance in the industrial life. I refer to the effect on the minds of workmen, especially of the more intelligent workmen, but also on the less intelligent, of the incessant discussion and increased study of popular and scientific literature on economic problems. There can be no doubt that popular education on a more extended scale than existed during the first three quarters of last century has greatly increased the workmen's powers of reflection on industrial questions. In the light of reflection it is equally certain that there is much to be discovered which creates dissatisfaction with things as they are. Minds which are anxious to find a solution of the

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difficulties and perplexities which they encounter are all too willing to lend an ear to plausible and apparently intelligible theories which offer a way out. There is nothing more useful and nothing more disturbing to the mind than a theory of social and economic improvement, and certainly nothing more dangerous to conventional established routine. The more sweeping and abstract the theory, the greater is its fascination and its danger. Men are always in hopes of finding a short cut to the millennium; and once a theory offers a clear path to desirable change, men's minds will never rest until they set out on the journey.

Another potent factor which operates on the minds of the work-people in causing unrest is the widespread and ever-deepening feeling of the injustice of an industrial system which keeps so many work-people on the margin of grim poverty; in which hard toil and reward seem to have no equitable relation to one another; where the individual is used till he is spent, and when spent is disregarded; where the wealth apparently created by the many is seemingly enjoyed by the few; where the toiler, especially the unskilled toiler, is considered at once indispensable economically and negligible socially; and where the fate of family life is always at the mercy of the changing fortunes of industry.

This leads me to the last mental condition which I wish to mention as a source of unrest at the present time. It is of a temporary nature, no doubt, but so far as it goes it is very important. The turmoil of a great war affecting the life of a nation is bound to disturb profoundly the ideas and emotions of the people. The whole of life is put in a new prospective. Prospects of change are opened up which give rise to new hopes of betterment and new aspirations to secure improved conditions. The advent of a New Jerusalem is always expected at times of catastrophe. It seems easy at such

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periods to make radical alterations and to remove long-standing grievances. The millennium seems merely a mile off, and men think it is within their grasp. Proposals are put forward for what is called a reconstructed and reconstituted society, which seem to require merely good-will to carry them into execution. The members of society are forced to feel their common kinship during the struggle ; divisions disappear for the time being ; individuals cease to be rich and poor, high and low, they become companions and fellows facing a common struggle and a common disaster. Fellow-feeling and constant forbearance give all a kind of new sense of brotherhood. Promises for the future are easily made, and made in good spirit. Men instinctively ask why the new and closer intimacy should not be perpetuated when peace arrives. So the prospect opens up of a sweeping redress of all the old inequalities and long-standing grievances which made former days a burden and a weariness. This new mental attitude created by the circumstances of the war gives rise to an assured expectation of a new future for the worker and a firm determination to realise it. Now is the time, it is felt by all, to carry through the programme of social improvement, to bring into operation the theory of a new industrial system. Such a state of mental unsettlement resulting from the war is one of the most important causes of the unrest which at present exists, and will in all likelihood operate to produce unrest for some time to come. It is not at all due to war weariness or to men's nerves being rattled by the war. On the contrary, it is animated by the confidence born of the success of the Unions during the war, and the fear lest this great opportunity should slip from their grasp.

I come now to the economic sources of unrest. Most of these have been stated so frequently that it will be sufficient to enumerate them. In the main

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they can be grouped round questions of wages and working conditions.

As regards wages it is felt by the workmen that every trade, no matter how insignificant, should guarantee a minimum living wage for the worker, and that wages should bear an agreed relation to the profits of the industry or trade. Variation in wages in different industries is a secondary source of unrest.

Closely connected with the wages question is, of course, the problem of the readjustment of war wages to the conditions which are likely to prevail when industry has once more settled into the channel of peaceful production. Workmen's anxiety on this head is acute. The fact that employers do not know how to proceed to meet the changed circumstances adds to the perplexity of the workmen. There is no accepted and recognised machinery, governmental or otherwise, of a reliable and satisfactory character to make the readjustment.

As regards the conditions of labour, the sources of unrest arise from a demand for a shorter working day, a demand for a share in the management or control of industry, and a demand for relief from the evils of unemployment.

As to the political and social causes of unrest, these are mainly twofold. On the one hand it is felt that for the efficient industrial life of the worker it is essential that he should not only have healthy conditions for work but that he should be provided, out of the resources of the national income if necessary, with clean, commodious, and convenient housing accommodation for himself and his family. On the other hand it is held that the political power should be exerted more directly and thoroughly in the interests of the work-people, who form the majority of the nation, and that it is essential in a country which claims to be a

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democracy that political influence should be proportionate to numbers and not to wealth or prestige or any other consideration. It is maintained, rightly or wrongly, that at the present time parliamentary representation does not furnish an adequate index of the electorate, that it does not give the workers the control over legislation which they ought to have in virtue of their numbers, and that in consequence the interests of the workers are not properly secured and their demands are not duly considered by the legislative body in the State. Illustrations are found in the resistance offered to the demands for the nationalisation of certain industries and undertakings.

I turn now to the remedies for unrest which have been or might be proposed.

I would again emphasise the point that it seems to me absurd to expect that any remedies will permanently and completely remove unrest from industrial life. There will always be a certain degree of discontent with conditions of labour, and this may at any time break out into a serious form. Nor can one regard this as altogether an evil. Dissatisfaction seems to be a factor in progress, and is certainly an antecedent or a concomitant of change; and without change and progress much of the interest of human life would be lost. I am more hopeful of good being done by directly dealing with the particular difficulties and grievances which affect a particular industry or a particular firm or group of firms than by dealing with grievances on what is called a national scale. Important as the latter is, the removal of general grievances affecting all workers in any industry throughout the country, still more all workers in all industries, tends to leave untouched the trouble affecting a particular locality, and sometimes to create disturbances in a particular industry which would not otherwise arise at all. The solution of general problems in industrial

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life is not necessarily a solution of the particular problems confronting a given locality.

There is a danger too at the present time of rushing into solutions under the influence of philanthropic sentiments created by war conditions, instead of keeping steadily in mind the hard realities of the economic situation which we must face, and face together. Sentimental solutions are sure to prove unsubstantial, and will only lead to further trouble. This has especially to be remembered in view of the international character of the vast volume of our trade, which has to be maintained in competition with other nations who cannot be assumed to respect our conditions of labour or to be guided in their relations with us by considerations other than those of stern business.

A third remark I wish to make is that any and every solution we care to devise will prove an anodyne and not a cure of the trouble unless it tends to foster and increase good-will between both sides to the strife in industry. The spirit of good-will between practical men is worth all other remedies put together, for it can find a way out, if a solution is possible at all, and it can accommodate itself to a compromise with safety to both parties. Even if agencies outside both are brought in to allay the strife, their decisions will prove unavailing unless there is good-will to carry them out. The good-will must be on both sides, it must be genuine, and it must be encouraged at all costs. Thus the complaint of the employers, when it rests on facts, is amply justified when they assert that so far as they are concerned there can be no industrial peace unless workmen are prepared to implement agreements to which they have set their hand. Just as industry cannot under modern conditions be conducted without credit, so industrial relationships between the employer and employed cannot be maintained without mutual trust and confidence.

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Some of the causes of unrest can be removed by the simple process of granting the demands to the fullest extent consistent with the carrying on of industry. Of these the shortening of the normal working day and the establishment of a minimum living wage are the most conspicuous. If agreement could be reached on these a long step would be taken towards industrial peace at the present time. Every one, therefore, will welcome the legislative enactment to fix the maximum number of hours for a normal working week at forty-eight hours in all industries, subject to reservation in the case of certain specified industries. It has long been known that during the long hours that have hitherto prevailed a good deal of so-called working time was simply waste time. Men could not do their work without food before the breakfast hour, and in a long afternoon the last hour, at least, dragged and was a hindrance to efficiency. Efficiency and not length of time is the object to aim at in work, and few men are able to exert their strength to its normal capacity beyond eight to nine hours a day. This is simply a matter of experiment and experience. But it must be understood that if eight to nine hours are fixed as the standard for the sake of securing efficient work, it is not in the interests of the employer or the workmen to extend this period by working overtime except on rare occasions.

To look for systematic overtime and to ask for a shorter normal working day are not merely inconsistent; it is hardly honest, for it is then obviously nothing but an attempt to increase earnings. No doubt pressure of work may require overtime, and in certain industries it may be impossible to break off just at the moment; but setting the exceptions aside where overtime is legitimate and may be needful, the shorter hours should be strictly adhered to by both sides, if discontent arising out of the length of the working day is to be

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obviated. I have little doubt that in practice both employers and employed will in general come to adhere strictly to the shortened day.

It might be said that once we admit the claim for a shorter day it is difficult to determine how short it should be. Some colour is given to this view by the demand sometimes expressed in certain quarters for a working day of six hours ; and we naturally ask, if six, why not three ? It is plain that we must be able to show reason for fixing a lower limit as well as an upper limit. If it is held that the normal working week should not be longer than say forty-eight hours in the interests of the health and efficiency of the workmen, we are entitled to say that in the interests of the prosperity of our industry the day cannot be shortened indefinitely. These, in fact, are the two tests which must be simultaneously applied in considering the question of shorter hours : the day should not be longer than an average workman can work efficiently and at his best all the time, and it cannot be shorter than is consistent with maintaining and promoting the economic interests of an industry under modern conditions. The community is entitled to the best efforts of its members in the occupations in which they severally are engaged. This has to be admitted by workmen if they are to justify their claim to consideration from the community in matters affecting their conditions of labour. Obligations cannot be all on one side: if we insist on the duty of the community to us, we must be prepared to do our duty by the community; if we claim that the conditions of labour must be humanised, we must act like men in our relations to the community; otherwise the whole moral basis of our claim disappears. Workmen, therefore, must undertake to give of their best, not merely in quality but in amount of work. A shorter working day for the sake of idleness has no justification in morality or common sense.

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The question of a minimum wage for all workers is much more complicated, but some approximation to a solution is both practicable and necessary. It is extremely doubtful if it can be settled on national lines, as seems possible in the case of a shorter working day. A minimum wage in London must certainly be different from a minimum wage in a village in Lancashire, and a minimum wage for a man with a family must be different from that of a man with none. By a minimum wage is meant two things, first a minimum living wage, and second a minimum economic wage. To find the conditions for determining a minimum living wage we must know (1) what we are to take as the lowest standard of life permissible in a civilised community like our own ; (2) how to apply this standard in the case of a family and of a single individual ; (3) what are the necessities of life which individuals must have to satisfy this standard ; (4) what is the total price of the commodities which the individual requires in order to live on this standard ; (5) what margin must be left for contingent variations in prices from month to month or year to year.

These questions present serious difficulty, but are not beyond our powers to answer if a careful investigation is made within specific areas of the community, in order to find out what the minimum shall be for each area. If we set out to fix a single minimum living wage for the whole community, we shall in all likelihood find the problem insoluble. A minimum living wage in a given area is a definite practical problem and ought to have an answer, for no trade should be allowed to exist which cannot provide as much as this for every worker in that trade. Either we must protect the trade for the worker, or we must protect the worker from the trade. Any other view seems to me inhuman and intolerable in a civilised community. Hence the importance of Trade Boards, whose operation

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we are glad to see is being extended throughout industry.

Different considerations are involved in fixing a minimum economic wage. It concerns not a whole area of the community nor a whole range of different industries working under quite different conditions, but each particular industry. To fix a minimum economic wage, even for unskilled workers, in a great variety of industries in a given area seems to me impracticable ; while to attempt to fix such a minimum for all the industries in the country seems a hopeless if not an unintelligible problem. We can, however, arrive at a minimum economic wage in each industry, or in each industry in a specific area of the country. For practical reasons we should begin by limiting the problem to a particular area. It is possible to say what at a given time is the minimum base wage which a given industry can guarantee to the worker. The fixing of such a wage would be no hardship to the employer : it would simply enter into his calculation of the costs of production. In fact it is in the interests of all concerned in the industry that such a minimum wage should be fixed. But it should be a minimum and not a maximum if unrest in industry is to be allayed ; and above the minimum there should be a regular series of graded increases.

This brings me to another class of proposed remedies for unrest—one proposed from the side of the Unions, the other urged mainly from the side of the employers. The former is the proposal that the workmen should be given partial or complete "control" in the management of their industry : the latter is the scheme for Industrial Councils urged in the Whitley Report.

It is not easy to learn clearly what is meant by the proposal for giving workmen partial or complete control in an industry. It may be said at once that

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complete control of industry by workmen is quite impracticable unless the whole industrial system as at present carried on is radically altered so that production shall be entirely in the hands of the workmen and in the interests of the workmen. The Guild theory of industry frankly accepts this and maintains that in this direction the present industrial system should be altered. It would take too much space in this short paper to discuss such a theory. It is as yet speculative : it has not as yet received, so far as I know, general consent from the body of workmen themselves; and in any case if the object of the Guild theory is to be attained without an industrial revolution, it will have to be introduced gradually and in a form which, to begin with, gives partial and not complete immediate control over their industry to the workmen engaged in it.

What then is partial control to mean ? Is it control over the work done in the shops by the workmen ? or over the conditions of their labour in the workshops ? or over the general management of the whole undertaking ? or over the marketing of the produce ? or over the financial arrangements of the industry ? or all of these together ? I have not yet discovered any statement of how such a joint control of an industry in any or all of its parts is to be practically carried on. Any kind of joint control means divided responsibility, and divided responsibility seems to me inconsistent with the stability, the security, and the continuity of an industrial undertaking, which are essential factors in the success of the industry. To be effective the management must be single, and it must be completely responsible for the conduct of the undertaking. An industry is a complex system of parts most closely interrelated; and any slackening of the hold which one part has on another dependent part may readily lead to confusion. Joint control exerted by two powers, which

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from the start cannot be expected to be in harmony with one another and may at any moment be sharply divided, will arrest the development of an industry and not promote it. The men's representatives in this scheme of joint control will naturally be elected; the personnel will change from time to time; and the elected representatives will be subject to the criticism, and their actions to the disapproval or approval, of their constituents. This will at once introduce an element of serious uncertainty into the conduct of the business, which will check the free operation of the heads of the business, and which will soon make itself felt in the marketing of the produce. Successful marketing depends on a buyer being able to depend on a seller for the punctual and complete fulfilment of a contract. If a buyer knows that his contract is subject to interruption at any time by a change in the control of the industry, knows, in a word, that the management is not reliable, this will soon be reflected in the terms and character of the contracts made. There seems no escape from this uncertainty if the share in the control possessed by the men is dependent on the support of the individual workmen in the industry. Again, if there is to be separate control for each part of the business, as there would probably be—for finance, administration, etc.—and if the men elected separate representatives for the control of each part, the complication of the situation would spell disaster from the outset. Further obvious practical difficulties may be mentioned, e.g. how the men, who are sharing the control, are to find time either for their own work as operatives or for their duties on the control board or boards, and how the workmen whose actions are controlled by other workmen are to be expected to acquiesce in or are to be made to accept the decision of those who, after all, are their own fellow-workmen.

It seems to me that the only form in which the

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workmen's point of view can be expressed so as to influence the management of the business without disturbing the conduct of industry, is by way of consultation, suggestion, or advice. Direct joint executive responsibility on the part of the workmen seems to me a form of interference which will in practice prove obstructive and not advantageous to the undertaking, and therefore will not allay unrest.

I will, for various reasons, confine my observations on Industrial Councils to one or two remarks.

The Councils frankly accept the main principles of the present industrial system, and do not prejudice their operation by preconceived theories of how industry should be controlled, or by schemes for transferring power out of the hands of capital into the hands of labour, or by proposals for the abolition of capitalist industry altogether. This is an immense initial advantage, and is of the first importance for their success. The only practical way to improve on the past is to start by accepting the past for what it is worth ; the only way to make a situation better for the future is to take all the good you can out of the present. After all it is safe to assume that wisdom in industrial matters has not suddenly dawned with the arrival of the present generation of workers or with the appearance in recent days of a few so-called advanced thinkers on economic problems. A so-called advanced thinker is apt to be a rope-walker rather than a road-mender, a travelling acrobat rather than a pioneer. Regarding all theories on economic matters, let me say in passing that theories are neither a substitute for your own thoughts nor a guide to action: they are but material to stimulate your own reflection.

The Industrial Councils cannot hope to be permanently successful except on three conditions. Both parties must start from and proceed on the basis of good-will towards one another; they must honourably

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keep agreements into which they formally enter; and if they fail to come to agreement on issues of vital importance to one or both sides they must not sacrifice good-will to a state of enmity, but, failing to settle the matter themselves, they must agree to have the matter settled for them by arbitration or some other means which involves an appeal to reason and justice and not to force. Without these conditions I have no doubt that the Industrial Council Scheme will ultimately break down. For the interests of the parties will always be sufficiently diverse to require the constant exercise of that self-restraint which good-will demands, and to produce a deadlock on occasional important issues. Agreements, again, are sure to be irksome if they prove in practice unsatisfactory. To avoid the temptation to breaches of agreement, it would therefore seem advisable to insert a time limit in every agreement, after which it should be reconsidered. As regards arbitration, whether it be made compulsory or not is merely a question of expediency. Some Councils may prefer to agree from the outset to have recourse to arbitration when negotiations between parties fail to settle the matter in dispute. But arbitration or means of conciliation there must be so as to safeguard the Councils from disaster and industry from dislocation. Compulsory arbitration may seem illogical or even a contradiction of terms; but an illogical course is not necessarily an impractical course; often it is the best course in the circumstances. The objection to compulsory arbitration seems mainly to be that men dislike being compelled to agree; partly it is also due to a dislike to what seems a form of outside interference; and partly to a disinclination to accept a decision of which they may not approve. These objections, however, seem to me outweighed by the public necessity for industrial peace, and by the advantage of preventing as quickly as possible a dispute from crystallising into

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sheer antagonism, and causing serious injury to an industry. The risks of a decision by arbitration would be practically negligible if official arbitrators were appointed to give their whole time to study and understand a group of industries, if parties had the right to choose their own arbitrator, and if the decisions were binding for a specific period, say six months, in order to test by experiment whether the decision meets the situation satisfactorily. In this respect compulsory arbitration would have all the advantage of a settlement by law, and none of the disadvantages of legal procedure,—protracted proceedings, and the risk of a stereotyped wrong decision. It would greatly assist in maintaining the good-will and freedom of relationship between the parties to the Industrial Council if while they were discussing the matter in dispute they felt that a deadlock would not spell disaster ; it would put the Councils on their mettle to reach an agreement by consent rather than submit their case to an outside authority. But in any event the appeal to an independent tribunal seems a necessary supplement to the work of the Councils, and indeed a practical corollary of the whole scheme. When we recognise that the only sheer alternative to arbitration or conciliation is the strike, the choice resolves itself into that between reason and unreason. A strike merely brutalises industrial life, it does not humanise it. Moreover a dispute is never really settled by a strike, even if the strike appears successful ; for when a strike occurs the settlement of the strike becomes for practical reasons of more importance than the settlement of the point at issue, and the difference between the parties remains where it was before the strike occurred.

It is impossible in the space allotted to me to deal with the proposed remedies for unemployment. Most of them are already familiar to you. It is very doubtful if we have yet sufficient information about this subject

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to do more than provide alleviations instead of effectual remedies, and I certainly agree with those who urge the importance of appointing a qualified commission to investigate the problem.

If the improvement of the lot of the worker is the best remedy for unrest, I would urge that just as important as the increase and improvement of housing accommodation is the necessity to provide public resorts and resources for the proper and healthy occupation of the greater leisure resulting from the shorter working week which has been or will be generally instituted. If workmen have more time to themselves, they will have to face the question how they can or should best fill the hours at their disposal. The proper use of leisure is a difficult problem, and in busy, congested industrial centres this problem will be serious. Apart from private clubs and places of public entertainment, a systematic attempt requires to be made to supply opportunities of healthy social intercourse on the one hand and mental improvement on the other. Municipalities should be required to establish, in addition to libraries and educational institutions, public halls where men and women can meet for recreation, for rest, and for social intercourse. No better means than this could be provided for giving citizens a deeper sense of community of life with one another, without which indeed all efforts to allay industrial unrest will prove unavailing and merely superficial. This community of life is in fact the end to which all else is but a means, and it is impossible to do too much to achieve that end. For this purpose one of the first practical reforms should be, in my opinion, a drastic reconstruction in the building, the control, and the management by municipal authorities of the present type of public-houses. Public-houses should not be merely drinking establishments, but large, convenient, and attractive social institutes where people

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could be expected to resort as a matter of course and as a recognised custom in the life of a city.

I come in conclusion to remedies for those sources of unrest arising from the larger aims and what may be called the national policy of united labour at the present time. There seems no doubt that the causes at work here are due to a great extent, as has been said, to the hopes which have been created by, or have resulted from, the war, that at last old scores are to be wiped out and the power of labour can come into its own. The wars associated with the French Revolution in a sense marked the termination of the old feudal system, and the rise to economic and political power of the middle classes and the leaders of industry. The war which has just closed will probably decide (no one can say definitely as yet) that economic and political power is to pass into the hands of labour. It has been described, with an appearance of truth, as a war for democratic ideals; and the voice of labour is insisting that now is the time to democratise industry. Political democracy, it is held, won the war; industrial democracy is to win the peace, as it is said by those who seem all too ready to forget the truly magnificent part played by employers during the war. The reign of political liberty is to be followed up by the introduction of industrial liberty for those who have considered themselves hitherto to be in bondage. The key words, so far as I can make out, for the appeasement of this form of industrial unrest are control, equality, and nationalisation; control of the supply, production, and distribution of goods; equality between capitalist and workmen, equality of wages for men and women doing the same work, equality of wages and conditions in the same industry wherever the industry exists; and nationalisation of industrial undertakings to the greatest extent possible.

With the utmost desire to be sympathetic to the

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aims just indicated, it is essential to scrutinise most carefully both the objects and the methods of this profound industrial transformation.

In the first place, it will not allay unrest; it will but transfer the unrest from the workmen to the employers and to the community. There will be no peace as long as one side is dissatisfied, and there are two sides to every conflict.

In the second place, the proposals put forward involve a frank subordination of political issues to economic issues, and the use of economic means to secure ends which should strictly be dealt with by political agencies alone. This accounts for the hostility to governmental methods and procedure which animates the new labour movement, and for the attempt to force Parliament to undertake what labour has decided as a policy. The economic power possessed by Trade Unionism acts as *imperium in imperio*, and, whether in Parliament or out of Parliament, labour claims to dictate political issues, be these issues purely economic or purely political. If labour cannot gain its ends by capturing seats at a political election, so much the worse for the methods of parliamentary elections. The power must simply be exerted in some other way. Such a procedure is a standing danger to the security and well-being of the community. Trade Unionism becomes a separate power wielded inside the State but outside Parliament. The country thus lives constantly on the verge of a crisis. So long as labour assumes and prosecutes this attitude, so long as it thus either subordinates political power to economic power, or confuses political issues and economic issues, there will be no peace and no stability either in industrial life or in the life of the community. The only recognised way of securing parliamentary sanction to great economic changes is first of all to convince public opinion of the reasonableness of the

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economic changes desired, and then to win public power through the procedure of parliamentary election. Any other method must spell chaos and create economic as well as political disquietude. It is a mistake in tactics as well as in principle for Trade Unionism to transfer its long-standing antagonism towards employers to the community as a whole.

Again it may now be taken as an axiom that there must be in the future some form of regulation of industry in the direct interests of, and to some extent by the action of, the workmen. That is the only way to prevent the actual and the possible oppression of work-people which was so prevalent in the recent past, and which created such bitter struggles in times gone by. It is the memory of these struggles which inspires the animosity of labour to the old industrial regime ; and no one who is acquainted with such books as the *Town Labourer* will deny the justice of the feelings these past struggles have perpetuated. Employers as a class must pay the penalty for the horrors and iniquities perpetrated by many of their number in days not so remote from the present. But leaders of the new labour movement in their reaction from the past are going to the opposite extreme. If the regulation of industry takes the form of removing employers and owners of industry from their places altogether ; when it is asserted, as it was frankly asserted by one labour leader the other day, that capitalist employers and owners of business undertakings are a superfluity in industrial life, it is impossible to take seriously proposals so contrary to common sense, human nature, and the whole constitution of industry. It cannot be too much emphasised that the distinction between master and workman, between employer and employed, between capital and labour, is fundamental in industry, however it may be expressed. It rests on the elementary fact of human life that some men are more capable than

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others, more able, more resourceful, and stronger in character than others. There is such a thing as a master's mind and a workman's mind : there are and have always been men who are able to lead, and others who are not, and who must follow. A leader in industry is one who has the courage to face risks and the confidence to face a crisis, the imagination to take long views, and the capacity to wait for the development of events. A workman, except in extremely rare cases, cannot do these things : his mind operates in another way and with a more limited horizon ; he asks for security from week to week, and prefers others, who have superior capacity, to take longer risks. I speak of what I know. I have known men who were excellent workmen, even admirable managers of others under a chief, but who, when they took the risks of an independent employer and started on their own account, succumbed to the new responsibilities they had undertaken. They became fretful, were over-anxious, distrustful of events, and incapable of initiative. This is not peculiar to industry. You find it in other walks of life. A Junior at the Bar may prove a failure as a leading Counsel, and a Captain in the Army may prove quite unfit for the rank of Colonel ; even in a football team not every one can be a captain. The vast majority of men are far more contented and successful under proper guidance and supervision than when acting independently. Very few in fact are capable of being leaders : most people require to be led. This is found to be true even in a Trade Union. If this be accepted in a Trade Union why should it be rejected in a trade ? The real problem of industry, as elsewhere, is to find the right kind of leaders of industry, the right kind of employers. The true captain of industry is born with the capacity to direct and control, and knows by instinct how to give an order. There are employers who are unfit for their position as there are men who

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are unfit to be managers; and control by the State will be required to protect workmen from bad employers, and such control will have to be extended. But it is a false step to do away with captains of industry because some are unworthy of their responsibilities. On the other side it must be said that the old aloofness of employers from their workmen is no longer tolerable or possible. Not merely must the Trade Union be recognised; that has been won; but the workman must be recognised and be honourably dealt with as a sharer in the common industrial life, and a fellow member of a human concern. It has often been said to me by workmen, "If the employer would only treat us as one man should treat another there would be fewer quarrels between us." The neglect of the human element in the relations of employer and employed is one of the defects of the old industrial regime which can no longer be perpetuated.

Again it is doubtless well to insist that the relations of employer and labour should henceforth be governed by justice and not by the power or privilege of the employing class. But we go wrong if the only meaning we attach to justice is that of equality. And this, I have found, is as a rule the only sense in which the term is practically applied. Justice between man and man does not imply that all men are equal. For the obvious fact of human life is that all men are unequal, that one man can do more or can do different things from another. I do not intend to go into any general discussion of the term justice : I wish to keep strictly to practical facts. What is wanted is to recognise that justice demands that each individual has to be taken on his merits and not as being the same as another. Hence there is no justice in insisting that all men in the same industry or in the same grade of employment throughout the country should have the same wage. There is no justice in insisting that all workmen in a workshop should work at the speed of the slowest or

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even of the average man. There is no justice in preventing an active and eager workman from doing more than his fellows if he wants to do so or is permitted to do so by the manager. These are familiar illustrations of this common confusion of justice with mere equality. I am certain that if this view of justice is alone adopted, as it generally is adopted in proposing remedies for injustice, we shall not cure labour unrest, we shall merely create further trouble at some other time. Justice must be consistent with the liberty of individuals, and liberty demands that each shall have the right to be different from his neighbour and act differently from his neighbour, if he so choose and is capable of doing so.

We find in the same way that the remedy for so much unrest which is proposed under the name of nationalisation of industries has not been carefully thought out by those who propose it. It is vaguely asserted that nationalisation by removing the private employer will remove labour discontent. But even if this could be proved, it would not necessarily justify nationalisation. The abolition of private property would doubtless prevent theft. But this remedy would be perilously like destroying the baby to save the doctor's bills. Perhaps no more absurd argument for nationalising the mines was ever suggested than that offered by a distinguished judge recently when he seriously urged that nationalisation would prevent strikes. You will prevent strikes against private owners doubtless, but unless you deprive miners of the right to strike coincidentally with nationalising the mines, what is to prevent them striking against a public owner as well as against a private owner? It is by admission the owner against whom the strike is declared; and whether the owner be public or private will not affect the right to use this weapon. As well say that if a policeman or a justice of the peace intervenes in an assault, he will escape the

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cudgel of the assailant because he happens to represent the public authority. There is no proof possible that public ownership is more justifiable, more economic, or more satisfactory to the community than private ownership. If private property is indefensible, so is public property. The sole question to be considered is whether by nationalisation of any industry or undertaking the best interests of the industry and the best interests of the community are thereby secured. In general, I would urge, that services are more capable of being nationalised than commodities. But, however this may be, a policy of nationalisation such as now seems to be adopted by labour is not in itself any cure for industrial unrest, and is not safe ground on which to fight the battle of labour. At the best it is a matter for discussion and consideration, in which the community as a whole and certainly employers in particular are entitled to be consulted, and which cannot be introduced by force or threats but only by argument and persuasion.

I cannot help thinking that the unrest arising from these general schemes of the labour movement, and the remedies advanced to cure this form of unrest, are to be traced to theoretical convictions rather than to practical considerations. It seems to me that it would be far more profitable to the community and far more in the interests of labour, if the great power now possessed by Trade Unionism, and the high intelligence now possessed by the best of the leaders of the new labour movement, were frankly and freely placed at the service of the country and of the Government at the present time, so as to assist the community in passing safely across the perilous interval between the conditions of war and the conditions of peace. This is not the time to advocate or even to play with an international labour policy. International philanthropy is a poor substitute for your duty to your own kith and kin. It is better to put your own house in order before you

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begin to reform the world. It is no time to demand assent to theories of ownership or methods of management, when the ship of State is making for port through a well-nigh overwhelming sea of trouble. Far more dangerous than the attempt to exchange horses in a flood is the attempt to change the riders. Radical changes in the industrial system, radical alterations in the standards of wages, should more wisely be postponed till the security of industrial life is fairly restored. If labour would reserve its general principles for a later day and in the meantime lend its aid to the practical redirection of industry into safe channels, it would not merely go far to restore commercial confidence which is essential to industrial prosperity and peace, it would remove many of the sources of labour unrest by concentrating effort on direct practical ends, and it would do more than it can accomplish by any other means to arrive at its political kingdom and justify its title to hold, for a term at any rate, the helm of government.

I would venture to offer three maxims for the consideration, and I would hope for the guidance, of those who are directly concerned in relieving or enduring the unrest which prevails at the present time.

My first is : Trust and follow your instinct of fairness and justice, for this is the best part of your heritage from your forefathers who have fought for and won the liberties of this kingdom.

My second is : Distrust all theories in economics and politics, and rely on your common sense rooted in experience.

My third is : Play the game, whether you are winning it or whether you are losing it.

If through your struggles and troubles you can carry out these maxims in the letter and in the spirit, I feel confident that, in the words of the Irish poet,

Out of sorrow—out of pain,
You will find your soul again.

The Human Element in Industry

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A LECTURE GIVEN ON TUESDAY, NOVEMBER 18, 1919

THOSE who have anything to do with industry are bound to recognise the fact that it is undergoing rapid changes, and that we are confronted by an entirely different set of problems from those which were before us five or six years ago. As one employer remarked only the other day, the fact of this change is realised, but the difficulty lies in knowing how to reorganise business to meet the new situation.

The present industrial and economic outlook is serious enough, and it is obvious that some readjustment, to meet the needs of the times, is absolutely necessary in the near future.

If we are to repair the ravages of war and to increase the supply of commodities so much needed by every country throughout the world, we cannot afford to waste our energies in any single direction, while at the same time there is urgent need for increase of production on the largest scale.

With industry still disorganised after its war-time activities this is made particularly difficult, while there is the menace of high prices and widespread unemployment to complicate the situation still further.

The need for pulling together to save the country from the disasters which seem to threaten on all sides

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was never so great as at the present time, and yet, what do we see? Industrial unrest, widespread and deep, so that the continued existence of even our present sources of supply seems to be in continual jeopardy. Strikes, lock-outs, and disputes daily darken the horizon. In some cases these are on such a scale as to shake the very foundations of the nation. We see the beginning of the bitterest of class wars; and organising ability, which should be free to work for increased production, is largely diverted to strengthening each side in this class war.

Surely there must be some underlying and fundamental reason for this wasteful dissipation of energy and purpose at so critical a time.

A brief glance at history may help to throw some light on the problem.

Before the Industrial Revolution, industry was largely based on the family principle. Even where the factory system was in vogue the small size of the factories and their comparatively simple organisation allowed for the existence of strong personal ties between masters and men. The introduction of machinery and the rapid growth of the factory system on a large scale altered all this completely, and under the policy of *laissez-faire* the most appalling industrial conditions grew up and were tolerated. Men, women, and children were herded together for long hours at a stretch in unwholesome, overcrowded workshops, and the "dehumanising" of industry very soon became complete. The masters who emerged at the head of these new factories were largely drawn from the artisan class, and were mostly rough and uneducated. They had won their way up by dint of sheer perseverance and indefatigable industry. They saw their opportunity, seized it, and drove it through unmercifully, without counting the cost either to themselves or to any one else. *Noblesse oblige* was not in their

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vocabulary ; by competition they had won and by competition they would survive.

In a few generations these masters had evolved into a distinct class of their own which gradually drew farther and farther away from the workers, until finally the two classes have become almost completely divorced. The most disturbing evidences of this can be seen at the present time in the gulf existing as a general rule between employer and employed. They seem to lead different lives, think different thoughts, and in some senses speak different languages. As a result, it is only to be expected that there should be serious misunderstandings on both sides.

On the other hand, with regard to the workers, the long, exhausting hours of monotonous toil had their inevitable deadening effect on their minds, while the scant leisure and little energy left at their disposal gave them small opportunity for any self-development or education. We see at the same time the growth of a spirit of hatred, bitterness, and distrust on the part of the mass of the workers towards the employers as a whole, and war has been almost unceasingly waged between them. The growth of trade unionism and the development of the Factory Acts, etc., give some indication of the gradual self-assertion on the part of the workers, and the awakening of public opinion to the responsibility of the State with regard to conditions of employment.

The battle has raged for many years round such demands as the right to combine, the establishment of the principle of a minimum wage, and the shortening of the working day. There is, however, a new note sounded in these demands to-day which shows considerable development on the part of the workers. This new demand is for no less than a share in the control of the conditions under which they work, and is based on their rights as responsible individuals. As an example of this claim the following extract is

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interesting, from a report of a recent meeting on "State Control of Mines," under the auspices of the Manchester Labour Party :

Mr. Hodges concluded with a fervent demand for a new status for the worker as a controller of his industry. Miners were not anarchists, although they had the power to be. They realised that their interests were bound up with those of the community, and, therefore, they demanded conditions which would develop the corporate sense and the sense that they had a social contract. If it was true, as they were told, that the only incentives were gold and greed, then they should never boast again that men were above the level of brute beasts.

Mr. Hodges confessed to a deep conviction that industry could be so organised as to develop the workers' pride and zeal in their work and their sense of duty to their fellows.

This evidence of development among the workers shows that they are at any rate thinking for themselves. One immediate result is that they are not unnaturally inclined to lay the blame for their past sufferings at the door of the present employers. This in no way helps to lessen the distance between the two classes, adding increased bitterness and suspicion to bar the way to all attempts to bridge the gulf.

In spite of this, however, the Great War brought home to all concerned that employer and employed could, on occasion, have identity of interests. In the presence of a common danger it was amazing to see how these differences could, when necessary, be put on one side, and employer and employed stand shoulder to shoulder. From the economic point of view also, events, both during and after the War, have illustrated clearly the need of both employer and employed. While the War was actually in progress, the cry was continually for the labour of men's hands—in the factories, on the seas, and in the trenches. The *real* value of labour to the community was perhaps then realised by many for the first time.

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Since the War the value of the employer as an organiser or captain of industry can be seen in the fact that there is general unemployment even though labour is plentiful and there is a world-wide dearth of commodities. It would seem, therefore, that the need for the employer as organiser or captain of industry is as fundamental as the need for labour itself, at any rate under the present system of conducting industry.

Curiously enough the workers are themselves demonstrating the identity of interests between employer and employed by their demand for a share in the control of industry. This demand is necessarily based on the assumption that these interests are so identical that they can be embodied in the same persons. The co-operative movement has given a further illustration of this.

Therefore, in spite of the almost complete divorce of the *classes* of employer and employed at the present time, it is by no means certain that, in so far as they are concerned in industry, their ultimate *interests* are essentially antagonistic. At the same time it can no longer be denied that the workers as a whole are beginning to see things more clearly, and are thinking for themselves, so that it is becoming increasingly obvious that they will no longer be content with the part they have played in industry up to the present time. As a matter of fact, as we have already seen, they are actually now demanding fuller scope for their development as individuals, and are claiming that all their powers shall be used in the service of industry.

The question immediately arises as to whether this claim is valid. Can it be justified? From the ethical point of view there can be little question of this. As Professor Urwick said in one of his lectures at the London School of Economics, the fact should be recognised that "each worker has the right to feel that he or she counts individually—that each one

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counts more in the organisation called industry than anything mechanical. They should feel and know that the whole organisation, however big, is adapted to them and not they to it." Few will be found who do not agree to this principle in theory, and it will be freely admitted by all honest thinkers. In fact many, if not most, employers do already recognise its truth, but are prevented from acting up to it simply because of the complexity and difficulty of the problems they too have inherited from the past.

If, however, it can once be proved that this excellent principle in theory can be put into practice without any real loss to industry, and therefore to those taking part in industry, we shall have found a new starting-point from which to organise our business in the future, and which will revolutionise our present methods. Let us see, therefore, whether this claim can be substantiated economically.

Labour has hitherto usually been spoken and thought of as a commodity for sale on the market. Like any other commodity it has been treated as though entirely governed by the laws of supply and demand and to a certain extent by cost of production.

This view of labour, however, leaves out of consideration the one fact that makes labour so entirely different from all other commodities that it should never even be considered in the same way. This fact is that the labour of a man's hands is part of his very being, so that the one cannot be considered without the other. The above view of labour entirely ignores the man's individuality, which is the mainspring from which his labour is derived. *Thus the quantity and quality of a man's labour are very largely governed by the state of his mind.* If, therefore, an increase in the quantity and quality of labour is sought, the study of the state of mind of the worker should be the first consideration. Having once admitted this funda-

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mental principle, our whole view-point becomes altered. Instead of industry being organised from the point of view of profits and loss, and the organisation of the mechanical arrangements in the factory of which labour forms a part, it will be necessary to make the study of the human element in industry the first consideration. And this will not mean studying the human element primarily to make it efficient in production, but with a view to the full development of each worker as an individual. This, as we have already seen, is bound to react on his capacity as a producer.

If the individualising of the workers has been admitted as a fundamental need in any complete scheme of industrial management, our next consideration will be as to how this is to be done.

It is here that Welfare Work can supply something of what is needed ; for it can be summarised briefly as the realisation of the individuality of all the persons concerned in a factory or business enterprise,—from the errand boy to the managing director.

Let us examine the definitions of Welfare Work now extant : In a pamphlet recently issued by the Home Office, entitled *Welfare and Welfare Supervision in Factories and Workshops*, Welfare Work is defined shortly as “ the provision by the management for the workers of the best possible conditions of employment.”

A further definition, which is perhaps more nearly related to our present consideration, is the one drawn up by those actually engaged in Welfare Work and placed as the preamble to the Constitution of their own Institute (a definition of the function of the Welfare Worker is also included). I quote as follows :

Welfare Work is that part of the management of business and industrial enterprises concerned with the organisation of working conditions on such lines as will be acceptable to and provide for each individual worker :—

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1. Physical comfort and well-being.
2. The full opportunity for the use of his abilities by the exercise of care and discrimination in the allocation of his work and duties.
3. The means for development of all his faculties.

It aims at assisting the individual to fulfil his functions both as a citizen and producer in the interest of the community, as well as of the particular enterprise with which he is concerned.

It seeks to promote a better understanding between employer and employed, based on just dealing and mutual co-operation.

The function of the Welfare Worker is to advise on all matters connected with the employment of labour, the working conditions, health and general well-being of the workers, and to act as the executive officer in carrying into effect decisions made thereon.

Welfare Work therefore would seem to offer a means for the study of the full development of the workers as individuals. This really means the humanising of industry, which is bound to follow the re-introduction of the personal element. Incidentally it would also tend to lessen that unnatural gulf at present existing between employer and employed, which is so detrimental to the best interests of both.

The question of who shall undertake this important work requires careful consideration. Many qualities are needed, and experience has shown that only by the appointment of some one specially trained and fitted for the work can it be successfully carried through. It is, of course, a whole-time job, and requires that whoever undertakes it shall have had time for the preparation necessary. A further advantage of such an arrangement is the detachment given by the special and definite position of the Welfare Worker in a firm.

If Welfare Work is to form a study of the best possible conditions of work (according to the first definition), it must obviously form part of the management. The Welfare Worker must, therefore, be

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directly responsible to the governing body of the firm, whether employer, board of directors, or works committee.

In considering the duties of the Welfare Worker they must inevitably include whatever affects the human element in a factory or business enterprise.

They may, therefore, be summarised as follows:

1. *Selection of the Personnel.*—This includes interviewing the applicants and taking the necessary particulars. Upon engagement being completed, a careful explanation is made of the conditions of the contract of service, and very often a booklet is handed to the new employee, from which he can study for himself something of the new community of which he is becoming a part.

In highly skilled trades, where the Welfare Worker may not have the requisite technical knowledge, the manager or head of the firm's department concerned is naturally consulted. In such cases the Welfare Worker makes a preliminary selection of suitable candidates, having regard to their suitability from the individual point of view.

The personal element is thus introduced from the very commencement, while the importance to the applicant of first impressions (which cannot be over-estimated) is fully recognised.

The careful selection of the workers, with special regard to their suitability for the work to be undertaken, obviously has many beneficial results.

The worker benefits in health, happiness, and in increased efficiency and earning capacity. He is also saved from the inconvenience and demoralisation of frequent changes of employment. The advantage to the firm is equally obvious. The increased efficiency of the workers will alone repay any outlay in this matter, while the costliness of a frequently changing staff is perhaps hardly realised by many firms.

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In this connection I might mention that very much remains to be done in the way of developing a satisfactory series of psychological tests for suitability. Week by week those actually engaged in the work are realising more and more of what is possible to be learnt by these tests. But apart from these scientific tests the fact that *all* workers are engaged by one authority makes possible absolute fairness and uniformity of standard, with corresponding advantage to both firm and applicants. The effect of all these considerations on the *moral* of the factory need not be commented upon.

Having engaged the worker, it is the duty of the Welfare Worker to keep in touch with him and to see that the conditions under which he is working are the best possible. This will automatically develop and strengthen the personal relationship already established. In the event of some readjustment being necessary, the Welfare Worker would consult with the heads of the departments concerned, and arrange for a transfer. In some cases a really satisfactory placing is only reached after two or three such trials have been made.

2. *Keeping of Records and Statistics.*—This is a most useful branch of the work. In the first place the keeping of personal records further individualises the workers. But in this connection care must be exercised that only *relevant* matters are recorded. As the Home Office pamphlet says : “ In dealing with any matter of (outside) welfare, it is essential to avoid even the suspicion of interfering with the workers’ private life.”

Then, from the management point of view, by these records it is possible to see almost at a glance the human material at its disposal.

With regard to the statistics which can easily be kept from these records, their value has been illustrated in the various reports on Health and Welfare

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which have been issued by the Ministry of Munitions from time to time. This excellent work is being continued permanently by Boards such as the Industrial Fatigue Research Board, etc., which are collecting the most valuable data upon which to base our future calculations with regard to the human element in industry. The Welfare Worker can greatly assist in this by keeping careful and scientific records of all branches of the work. These will include health and time-keeping records, accident charts, labour turnover charts, etc.

3. *General Discipline.*—Although this is essentially a very personal matter, it has been found from experience that the Welfare Worker is best only indirectly concerned with it.

Thus it will be his business to see that the system of discipline in operation is such as to bring out the best in the people concerned, and therefore to have the right psychological effect. He must also see that it is applied uniformly and with strict impartiality.

Further, the Welfare Worker may sometimes serve as a useful arbiter in case of a dispute, each side having a court of appeal if required.

The Welfare Worker should most certainly be directly concerned in the case of dismissals. He should act as a safeguard against hasty or unjust dismissals, his consent being required in addition to the foreman's or manager's before any dismissal becomes valid. As a matter of fact, this precaution may often prevent hasty departures through one side or the other, when a little time for reasonable reflection may show such a drastic step to be quite uncalled for. The psychological effect of such a system in operation is bound to tend towards smoother running in the factory, while it is, of course, of paramount importance that justice shall be secured.

4. *Wages.*—Here the Welfare Worker is primarily

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concerned with seeing that each worker is in receipt of at least a living wage, and that the carrying into effect of the various wage systems in operation is just and fair to all the workers. Even in highly organised trades there are bound to be a number of individual adjustments to be made after the establishment of any general principle, while there will always be the "sub-normal" to look after.

Further, there is more need than is commonly realised for patient, clear, and friendly explanation of wage-dockets. Many workers have nursed for long a grievance based entirely on a misunderstanding of some item on a wage-docket, the routine explanation of which by a pay-clerk they have failed entirely to comprehend.

In the case of piecework and payment by result, care must be exercised that the wages offered are not such as will lead to over-exertion on the part of the workers. This, of course, will not occur where the principles of scientific management are thoroughly applied.

5. *Health and Time-keeping generally.*—Health is obviously a personal matter, and much can be done in this connection by the Welfare Worker. As, however, the subject has been dealt with so frequently I will not now go into the details, but would refer you to the final report of the Health of Munition Workers Committee, where may be seen evidence of the good work to be done in this connection.

Time-keeping is very largely affected by health, and personal reasons generally. Hence it lies very definitely within the province of the Welfare Worker. The causes of bad time-keeping can very often be considerably lessened, if not altogether removed, by careful handling and sympathetic treatment on the part of the Welfare Worker. It is a matter which, rightly used, can greatly strengthen the personal

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bond between employer and employed. Also by taking an interest in the comings and goings of each worker separately there is a great opportunity for further individualising each one, who is thus made to realise that he is of sufficient importance in the organisation to be missed when absent. It is significant of the lack of imagination of most systems at present that this is not always the case.

6. *Working Conditions*.—It is the business of the Welfare Worker to see that all these conditions are as favourable as possible. They should be the irreducible minimum upon which Welfare Work is based. In a factory where scientific management is in operation these conditions will, of course, receive the most careful attention. Without them efficiency cannot be expected.

The working conditions to receive this special attention may be enumerated briefly as follows :

(a) Heating, lighting, ventilation, and sanitation of the workshops.

(b) Arrangement of the work, provision of suitable seating accommodation, and of rest and waiting rooms where necessary.

(c) Length of hours, frequency and duration of breaks, and arrangements for holidays, etc. In this connection the provision of some kind of nourishment and refreshment during the morning and afternoon breaks is almost universal where Welfare Work is established.

(d) The provision of safety appliances, protective clothing, and First Aid equipment.

(e) Domestic arrangements, *e.g.* cleaning arrangements, laundry, and canteen facilities, etc.

7. *General* :

(a) It is the concern of the Welfare Worker to see that the provisions of the various Acts of Parliament bearing on the conditions of employment, etc., are

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being carried out, *e.g.* Factory Acts, Insurance Act, Workmen's Compensation and Employers' Liability Acts, various Army Regulations, etc. (temporarily).

(*b*) *Transport*.—The Welfare Worker must see that, where necessary, adequate arrangements are made for the transport of workers to and from the factory.

(*c*) *Social, Educational, and Recreational*.—This includes the promotion where desired of all kinds of clubs, thrift and benefit schemes, and the provision of such educational and recreational facilities as may seem desirable. While Welfare Work originated chiefly through employers taking an interest in providing such facilities, it has developed far beyond this original interest. In fact the success of Welfare Work nowadays may almost be reckoned in inverse ratio to the amount of managerial initiative and direct control held over these matters. The activities will be there and greatly in evidence, but will be almost entirely self-governing. There will not, therefore, be much danger of such activities becoming unsound because of undue centralisation of the interests of the workers round the factory.

Having briefly enumerated the main duties of the Welfare Worker, we must pass on to the all-important consideration of the *way* in which these duties will be carried out.

In the first place there must be a genuine desire at any rate on the part of the employer for real co-operation. Given this, the Welfare Worker can do much to help bring about a better understanding between management and workers, employer and employed. Being in close daily contact with each he can at first act as interpreter where necessary, and can present the point of view of each to the other. He can gradually promote means whereby each side will be brought more and more into

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direct personal contact with the other, under the most favourable conditions. It is chiefly in this connection that any social life connected with the factory is valuable.

The Welfare Worker also has been described as the "safety-valve" of the factory. It is of inestimable advantage to have some one to whom complaints can be made by all and sundry. Where there is a large body of people there will always be some "grouzers," while there may occasionally be a certain amount of grounds for the complaint brought forward. In any case, it is far better for the "grouzers" to "get it off their chests," while if there should be any real ground for complaint the sooner it is brought to light the better for all concerned.

The Welfare Worker by virtue of his very position is particularly suited to receive these complaints. The establishment of personal relationships with all the people concerned and his accessibility should make it easy for all to unburden their minds in this way. With sympathy, judgement, and tact much can be done to remove misunderstanding and remove the causes of any little friction before it has time to grow serious and perhaps threaten the smooth running of the whole organisation.

The establishment of committees, however, whereby the workers can manage their own affairs will do more than anything else towards their development as individuals. It is common knowledge that only by doing things for oneself is there any hope of real development. Also in bringing together employer and employed there is nothing like both sitting round the same table and each realising that the other is quite human after all.

In this connection the establishment of Works Committees is one of the most hopeful signs of the times. Both management and workers are repre-

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sented on this Committee, to which the Welfare Worker usually acts as the executive officer, carrying into effect the decisions made by it.

These Committees give an opportunity for some plain talking, which will do more to clear the air in a few minutes than would months of negotiations on the old basis. The constructive powers of all concerned are being drawn upon, the brains of the workers being utilised as well as those of the management, with corresponding advantage to the organisation of the factory and ultimately to production and industry generally. Its educational value is enormous, each side being given an opportunity of hearing and realising the point of view of the other. The employer can explain his policy and get the criticisms of those most directly concerned, before it is too late to profit by them. Incidentally, too, he is bound to have the co-operation of all concerned for the various projects submitted to and passed by this joint Committee.

From the workers' point of view it is an insight into what is meant by control of industry and gives them some idea of the difficulties involved. Also in no other way is the fact so forcibly brought home that employer and employed are really co-producers as when they are seated round the same table discussing their joint problems.

But most important of all it is the realisation of the workers' demand for the exercise of their functions as individuals in constructive government. They are thereby raised from being mere cogs in the machinery of industry, towards the attainment of responsible control over its conditions. And this, as we have already seen, is in accordance with the workers' own demands at the present time.

That there is a great future for Welfare Work carried out on these lines no one can doubt, but if

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it is to do anything at all towards the solution of the problems indicated it must be undertaken in the right spirit and with knowledge and understanding of all that it involves.

The Welfare Worker is throwing himself into the breach at a time when the fray is reaching its height. It behoves him to see that he realises his position and knows how to make good. His opportunities for real and lasting service are incalculable. As the Home Office pamphlet, already referred to, says, "If Welfare Work is to be successful it must be undertaken by the management not merely as a means to efficiency and maximum production, but as being the duty which is owed to all those who are associated in carrying on the nation's work." Practically every one is absorbed in this work in some form or other, and most of our waking time is spent in its service. Our industrial conditions, therefore, will very largely determine the standard of our national life.

But even more important than this at the present moment is the real significance of the economic and industrial outlook of to-day. Events are clearly showing the rapid approach of a crisis. The issue already seems to be narrowing down to the alternatives of ultimate fusion of the classes or their violent disruption. It is very largely in the hands of those who have some part in the control of industry to decide which of these shall materialise. Surely the hope of the future lies in evolution from within rather than in revolution from without.

Labour and Continued Education

By F. W. GOLDSTONE

A LECTURE GIVEN ON TUESDAY, DECEMBER 9, 1919

THE times in which we live are extraordinarily difficult. The nation has emerged from the greatest struggle in its history, faced with colossal burdens and yet much poorer in vital resources through the loss and enfeebling disablement of so many hundreds of thousands of its most virile citizens. At the same time the responsibilities which the country is called upon to assume have increased enormously, and must press inevitably with greater force on those called upon to bear the increased burdens which devolve upon the nation, as the work of national and international reconstruction proceeds. The vast additional territories to be administered under the mandates of the League of Nations will call for ever-increasing numbers of men and women of administrative ability and resource. The problems of Empire have become more numerous and complex, and require for their due solution a nation of well-equipped men and women. At home also new problems of administration development have arisen, whose proper solution is dependent upon a widespread possession of qualities of zeal, ability, insight, imagination, and goodwill. With the added difficulties attending the national task has come a wide extension of political power, for the

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exercise of which the new democracy must be given opportunities to develop greater knowledge and power of discrimination and wise choice.

The responsibilities of government have become a common heritage, and now demand the development of every individual citizen to a mental and moral stature not hitherto reached except by a fortunate minority. It is in the highest interests of the State, as well as of the individual, therefore, that every citizen should have opportunities for the cultivation of his latent powers to the limit of his capacity.

The necessity for a widespread intellectual and spiritual development coincides with the claim of organised labour for equality of opportunity. This claim is being made in a number of directions, including that of education, and nothing offers more assured stability to the community than that the demand for education should be encouraged; to accord it with all possible speed is the truest statesmanship. It is no longer to be expected that there will be general acquiescence in an organisation of national education which provides a social basis as the main factor in determining the extent of the facilities which may be accorded to our future citizens. In the past, elementary education has been the only field accessible to the children of the working classes. The middle classes aspired to obtain a secondary education for their children, and as a rule the Universities received only the children of the well-to-do. This particular basis of classification is undergoing change; and not alone from the point of view of the individual, but also in the highest interests of the State, it is essential that the change should proceed at an accelerated velocity. Working people are clamouring for the free admission of their children to institutions for higher education to an extent which should bring joy to the hearts of all thoughtful persons. Their hope

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is to break down completely the barriers which still remain between the various grades of schools, and having secured a more generous level of educational opportunity, to substitute as the only basis of selection for the highest types the ability of the pupil to profit by further education.

THE DEMAND FOR EDUCATION.

One of the most hopeful signs of the times is this steadily increasing public demand for higher education. In most areas it has not been by any means satisfied. I am informed the County of Surrey has the names of 2000 children on its "waiting" list, all anxious to enter secondary schools, and many of them prepared to pay fees if the accommodation is provided. In the County of Durham several thousands of pupils competed at the last entrance examination to secondary schools for the 250 free places which were available. It has been estimated that for every free place which was available in the secondary schools of urban areas in South Wales, four children competed at the last examination. It will probably be found, when statistics are available, that these examples are but typical of what obtains throughout the country. The experience of the Workers' Educational Association in the realm of adult education confirms the opinion expressed in other circles. The W.E.A. has increased its membership by 50 per cent since 1914; its tutorial classes number 156 as compared with 145 in 1914, and 99 in 1917, and the students in this, probably the most successful department which has been organised by the W.E.A., now number 3500, and would be even greater if the supply of tutors of University standing were equal to the demand for their services.

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NATURE OF THE DEMAND.

The nature of the demand for education beyond the elementary stage is the most significant feature of the rising tide of the public interest in education. The claim which is made is for cultural education, and not merely for a type which will make for industrial efficiency alone. Where vocational instruction is desired it usually arises from an anxiety to minimise all possible risks of unemployment by an exceptional development of manipulative or technical skill. When the risk of unemployment is eliminated, it is probable that the reaction will be even more pronounced in favour of the wider development which aims at self-culture as of primary importance, and relies in the main upon workshop experience, coupled with technical training, to give that efficiency which is requisite for livelihood and for the satisfying of legitimate ambitions.

The spirit in which the problem of supplying facilities for continued education is approached is all-important. The underlying purpose should be so to awaken the higher interests and desires of young people that in their hours of leisure they will turn as a matter of course to healthy recreation and to the interests associated with literature, music, and art. The importance of a wise use of leisure cannot be over-exaggerated. Sir Robert Hadfield, amongst others, has found from experience that the manner in which the hours spent away from work are employed largely determines the quality and quantity of the output in the mill or the factory. The manner in which leisure is employed also determines the future quality, and therefore the standing and well-being of the nation. The wise use of leisure is therefore as important as is the manner in which a person

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applies himself to the employment on which he depends for his livelihood. Leisure should give opportunities for the development of the mind, and the preparation for its proper use has assumed a new significance. Any attempt to absorb the invaluable hours soon to be devoted to the education of the adolescent in fitting him merely to fill an appropriate niche in industry will be short-sighted and futile. There are two paths, and the choice of the higher, though not apparently leading by short cuts to immediate commercial success, may in the end give access to a better England, in which higher aspirations are more nearly approached. In such an England the problem of production, particularly qualitative production, will be solved with ease.

This is "the land fit for heroes" which many have envisaged, and which is the embodiment of the new spirit stirring amongst thoughtful men and women. The Education Act of 1918 is the instrument by means of which the end in view may be approached.

THE PROBLEM OF THE CONTINUATION SCHOOL.

Probably the most important, as it is the most difficult, problem which the Local Education Authorities are called upon to face in administering that Act is the provision of facilities for part-time continued education for young persons who have ceased to attend the primary school and have not had the advantage of full-time attendance at a central or secondary school up to the age of 16. Boys and girls who now leave the primary school at about the age of 14 and enter industry do so just when their interests have been awakened. New powers are developing, and under a skilful teacher they have reached a stage in their growth and outlook when the

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efforts of previous years begin to bear fruit. It is just at this point that for the great majority of the rising generation the momentous break between school and work has taken place. In the past the power of self-expression which was being fostered in the primary school has been allowed to lapse in the case of the great majority, and growing interest in literature, art, and music is suddenly cut short by the advent of a liberty which being achieved at too early an age has become too frequently mere licence. The problem is to bridge the gulf between primary school and work so that though the breach between them is fully recognised and possibly emphasised, the change in the treatment of the curriculum is welcomed, or, at least, not passively resisted. The continuation school will no longer have to expend so much of its energy in mentally enervating repetition work. The relationship between the young people and their teachers will be different, and the atmosphere which will be encouraged will be that of the college rather than that of the school. When the appointed day is settled it will be obligatory upon a Local Education Authority to make provision for all young persons not then at school, between the ages of 14 and 16, to attend for 8 hours per week, for 40 weeks in the year, a total of 320 hours. During the first seven years of the operation of the Act, a Local Authority may reduce the 320 hours to 280, and provide instruction for 7 hours per week instead of the 8 which must ultimately be the minimum. Seven years after the appointed date, the age up to which attendance is compulsory will be raised from 16 to 18. Most Local Education Authorities are now engaged in preparing schemes for the application of the Act to their respective areas, and the manner in which the problem of the continuation school is dealt with in such schemes is probably their most important

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feature. At the outset, the kind of provision which is made may be expected to determine the lines on which continuation schools will develop during the next few years. Hence the underlying principles which find expression in the scheme are sufficiently important to warrant the most careful thought and inquiry before this particular section is finally settled. Young persons liable to attend will be subject to influences which will remain with them for the rest of their lives. The nature of this influence is in the hands of the Local Education Authorities to determine. The opportunity which is offered to local administrators is, therefore, one of the greatest they will ever have, and their responsibility is proportionately heavy. If the continuation school be regarded as merely the handmaid of industry, it will fall short of its true purpose, and in the long run will disappoint those who were prompted merely by utilitarian motives when the foundations were laid. New inspiration is needed, and the display of a spirit which forgets the immediate needs of the counting-house and the factory in the larger needs of citizenship. The opportunity is offered of raising the whole moral and intellectual standard of the people. This may appear an extravagant claim to make for a type of institution, compulsory attendance at which may only be for 8 hours as a maximum ; but organised as they should be, continuation schools may become active social centres in which clubs for recreation, mainly self-governing, debating, musical, and literary societies will all have their place. If the scheme be wisely devised on liberal lines, the new continuation school will become increasingly more attractive and may well become the most powerful regenerating force in the district it serves.

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THE MAGNITUDE OF THE PROBLEM.

Statistics were presented to the Departmental Committee on Juvenile Education which reported in 1917, showing that the—

aggregate enrolment in public full-time day schools (Elementary, Secondary, and Junior Technical) reached its maximum of about 662,000 between 12 and 13, when it represented nearly 95 per cent of the total juvenile population of that age. During this year about 30,000 dropped out, mainly under the half-time system. About 185,000 dropped out at 13, about 85,000 between 13 and 14, and about 286,000 at 14. Only about 84,000, or 13 per cent of the 650,000, are likely to have received any fragment of full-time education after the age of 14, and not more than 5 per cent can have received this in Secondary Schools. Between 14 and 18 these small numbers rapidly dwindle. Even the nominal Elementary School age terminates at 15, and although Secondary Schools are supposed to keep their pupils at least until 16, they are really at their fullest between 13 and 14. Even then they only get less than 6 per cent of the juvenile population, and between 17 and 18 this proportion has fallen to less than 1 per cent. Practically, therefore, public education after the Elementary School leaving age is a part-time affair. And there is very little of it. In 1911-12 there were about 2,700,000 juveniles between 14 and 18, and of these about 2,200,000 or 81.5 per cent were enrolled neither in day schools nor in evening schools. The number who were being educated outside the purview of the Board of Education may be regarded at this stage as almost negligible. Here, then, are the two great causes of educational wastage; general disregard of the facilities offered by evening schools completes what early withdrawal from the day schools began. Statistics do not show the whole state of the case, and in interpreting them two additional points must be borne in mind. One is that, quite apart from the question of half-time exemption, many children, during the later years of their school life, are employed outside school hours in ways and to an extent which seriously interfere with their educational progress. The other is that even the meagre amount of evening school enrol-

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ment does not represent anything like the same amount of continuous instruction from 13 or 14 up to 18. Many children enter evening schools during the session after they leave the day school, and then disappear. Many come after an interval of years, and have to spend their time in relearning what they had forgotten. Nor does an enrolment mean much. About 15 per cent of the students enrolled in evening schools for 1911-12 failed to complete the absurdly small minimum of 14 hours of attendance during the session, and the average hours of attendance were no more than about 50.

Though the total number of pupils admitted to secondary schools has increased during the last five years by 30 per cent, the extent of the problem of the continuation school remains substantially what it was when the Departmental Committee conducted its inquiry.

ADMINISTRATIVE PROBLEMS.

It may be difficult at first for industry to accommodate itself to the new circumstances, and doubtless many protests will be uttered against the release of the young people from their various employments. Pressure will be brought to bear upon Local Authorities by unprogressive work-people and employers to fix the hours of school attendance with more regard to workshop requirements than to educational needs. Even before the Act was passed the terrible calamities awaiting industry were foretold. This has been usual whenever a change for the better was contemplated in factory legislation or for the raising of the age for half-time employment. These protests are in reality but a reflection on the capacity of those who utter them. Germany many years ago found it possible so to organise her industries that her young people were able to attend continuation schools during

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working hours. Her competitive power in the markets of the world was increased, not diminished, by her educational zeal. The system we are about to inaugurate ought to be given a fair chance to achieve its great mission. It will be inviting failure to force young people to attend their school or college at the fag-end of the working day. A whole day, or two half-days, preferably mornings, should be set aside for continued education. A consultative committee, on which members of the Local Education Authority, employers, work-people, and teachers have places, should be able to make suitable arrangements to meet the requirements of every centre.

The matter of the hours of attendance is one of great importance, not less in rural than in urban districts. In practice it may be found that for young persons engaged in agriculture the 320 hours are better concentrated in continuous periods during the winter months. For girls it may be found desirable to choose another season.

BUILDINGS.

The particular type of building in which the continuation school is held is a matter of considerable importance. The existing primary schools do not offer a satisfactory solution, as the hours of instruction for the pupils attending the continuation school would be inevitably crowded into the early evening. Further, the desks and other equipment of the primary school will not be suitable for young persons up to the age of 18. There would be no attraction in returning to a building whose atmosphere is already vitiated by the extended use which has been made of the accommodation during the hours of daylight. No less important is the necessity for the realisation by the young person that he is em-

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barking on a new and important phase of his career. There has been a break in his life which is well marked, and there are obvious advantages in providing different surroundings and a change in method and relationship between teacher and taught. The great shortage of labour and material for building may delay the coming into operation of this section of the Act, and temporary expedients may have to be devised. There should be no avoidable delay, however, in developing schemes of continued education, for the greater the delay the greater the number of those who will miss the benefit which it will be within the power of the new type of school to confer.

THE WORKS SCHOOL.

Provision is made in the Act for young persons to attend schools organised in the works at which they are employed. There is no section of the Act which, so far as I have been able to ascertain, is regarded with greater suspicion by organised labour. The more thoughtful are doubtful of the advantages of any scheme of continued education if there is the possibility of recognition being given in an area to a considerable number of schools held in works. It is assumed that their main purpose will be to inculcate docility and manipulative skill. Possibly the fear is exaggerated ; but it exists. The atmosphere of such schools is bound to be too much that of the workshop, and if the instructors be drawn mainly from the works staff, though technically highly skilled, they will lack, almost inevitably, necessary teaching experience and a knowledge of psychology. The Local Authority is not bound to recognise such schools, and a more satisfactory alternative would appear to be the provision of a public school at which the young persons employed at a

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works may attend and the staff of teachers be provided by the Local Education Authority. The case against the adoption of the works school as a solution of the problem is strongly expressed in a report which has been prepared on continued education by the Labour Party's Advisory Committee. The following extract is taken from that report :—

“Works schools” ought *not* to be recognised. The objections to them have been often stated, and have never been answered. It will be extremely difficult, if not impossible, to secure that the best teachers are appointed, or that, when appointed, they possess independence. It is certain that many employers will aim at using their control of the schools to turn a continued education into a narrow and specialised training for the branch of industry in which they are interested, or to give a bias to such general studies as appear in the curriculum. When a firm is on bad terms with its employees the education given in its school will be prejudiced by sharing the unpopularity of those who control it. When there is a dispute almost insoluble problems are likely to arise ; are boys and girls to be compelled under legal penalties to attend a school on the premises of a firm from which their parents have been locked out, or are they to give notice immediately under Section 10 (8), and leave the Local Education Authority to improvise a school for, perhaps, 500 to 2000 young persons ? Not less important, the school should not be the appendage of a particular firm, which will necessarily view education under the influence of its own commercial interests. Education is too important a matter to be left to the discretion of any employer. It is a public function, and should be publicly controlled. . . . The intellectual quality and independence of character of the rising generation will be to a great extent what the influence of the new continuation schools, applied during the impressionable years of adolescence, has made them. If once “works schools” are widely recognised, it may easily happen that a quarter of the young persons between 14 and 18—in some trades, like engineering, in which employers are strongly in favour of works schools, far more than a quarter—will be educated in an atmosphere determined by the interests of private capitalism. Employers have enough power as it is.

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The proposal to make them a kind of private Education Authority and to entrust the minds of working-class children to their keeping is thoroughly mischievous.

It is the fact that admirable examples exist of schools organised in connection with works which are popular with employees and avoid the disadvantages of what may be termed without offence the factory atmosphere. Such, for example, are the schools provided by Messrs. Cadbury at Bournville and Messrs. Rowntree at York, amongst others. In them, educational experiments prompted by philanthropic intentions have proved as advantageous in business results as the welfare work undertaken during the war by so many munitions works, and continued since, were found to be paying propositions from the point of view of production.

The important thing to note, however, in connection with efforts of educational reformers like Messrs. Cadbury and Rowntree is that their schemes of instruction bear little, if any, relation to the industry carried on by the firms concerned. The results achieved are mainly in the direction of an improved physique, greater mental alertness, and increased manual dexterity. An additional advantage from the point of view of the firms, and their experience is not unique, has been that zeal for the welfare of their young workers has given the firms concerned a pronounced advantage in the labour market. It is not surprising that parents should endeavour to place their children in such employment even to the sacrifice of youthful desires in the matter of wages.

The management of most industrial undertakings cannot hope to emulate those named, even if it were desirable on their part to do so. They may safely leave the problem to be dealt with by the Local Education Authority responsible for their respective areas.

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THE CURRICULUM OF THE CONTINUATION SCHOOL.

The curriculum of the continuation school is supremely important, though the treatment of the subjects selected is certainly not less so. The interest of the young persons who will be expected to attend must be stimulated and maintained, or these institutions will be but lifeless shells. The curriculum should not be vocational in intention; but this desirable principle may be observed without sacrificing practical methods in the teaching. The new centre of interest of young people who have just left school is in most cases the work in which they are engaged. Their new experiences may become the channels of intercommunication. Probably a less bookish type of education may be followed in a large number of cases without the sacrifice of real educational motive. It is possible to liberalise the practical method in teaching. In many instances, teachers have found that the slow developer can be awakened most effectively by a course of handicraft. Latent and unsuspected powers of self-expression are stimulated into activity, and their discovery has demonstrated the value of hand and eye training as a valuable medium for quickening intelligence. A greater use of the concrete in promoting intellectual development, if divorced from the idea of merely utilising the continuation school as a substitute for trade training, may be a great factor in promoting the success of the type of school we are considering. It must not descend to the level of merely concentrating on mechanical operations which are regarded as essential to the success of neighbouring industries. The facility desired in the handling of tools and machinery will be achieved, but should be achieved incidentally. The greater training of hand and eye is a means of

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quicken the intelligence and developing the whole of the faculties, and is not an end in itself. Rightly regarded, therefore, the new continuation school will provide part-time secondary education for the great mass of the young people of the country. Such part-time secondary education may be of various types, and make provision for the adoption of alternative methods. "The background of the whole curriculum should be History, Geography, Literature, and Elementary Science. Scholars should be led to take an intelligent interest in problems of, and take a proper attitude towards, responsibilities of international, national, and municipal citizenship. A sustained attempt should be made to cultivate the love of good literature and use of books for leisure and enjoyment."¹ Adequate provision should also be made for physical exercise without militarist bias, with opportunities for access to playing fields and swimming baths.

THE TEACHING STAFF.

The success of the scheme is dependent almost entirely upon the provision of well-qualified teachers with a real interest in young people. There are such teachers in the primary and secondary schools, and some of them are engaged in evening continuation schools. Those engaged in both day and evening schools work for far too many hours, and the strain in the majority of cases is too great to be borne successfully. It is estimated by Mr. Fisher, the President of the Board of Education, that something like 30,000 teachers will be required if the new continuation schools are to become effective. This new corps remains to be created, and only a nucleus at present exists. The status of the teacher

¹ *Continued Education under the New Education Act.* The Labour Party.

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in the new continuation school must be equal to that of his colleague in the secondary school, or the supply will not be forthcoming. The hours of actual teaching must be kept within such limits that time is available for preparation and further study. As a temporary expedient it may be necessary to secure the services of persons who, though well educated and interested in adolescents, have had no previous training or experience. In order that the scheme may not hang fire, the net will have to be cast sufficiently wide to catch some of this type. They include men and women who have interested themselves in social work of various kinds, and if accepted for the new service should be given opportunity whilst working in it to get professional training extending over at least a year. They will provide but a small part of the new establishment, but it is important that with all possible speed the scheme of continuation schools should be set going. About 50,000 children are leaving elementary schools every month, and the great majority pass away for good or evil from all direct educational influences. Delays are dangerous.

"I am convinced," says His Majesty the King, "that nothing is more essential to national prosperity and happiness than education. The potentialities, physical, mental and spiritual, of every member of the community should be developed to their fullest extent. A true education would embrace all these, would cultivate them all in due proportion, and would transform our national life in a generation. I appeal to all educational authorities to keep this great ideal continually in view."

Accident Prevention and “Safety First”

By GERALD BELLHOUSE, C.B.E.

H.M. DEPUTY CHIEF INSPECTOR OF FACTORIES

A LECTURE GIVEN ON TUESDAY, JANUARY 27, 1920

I AM afraid that the subject I have chosen for my lecture is a very large one, and that it is hardly possible within the time at my disposal to deal with it comprehensively in all its aspects. I am proposing, therefore, to divide the subject into two parts, and to consider first rather briefly those accidents which are preventable by the better safeguarding of machinery, and then to deal more fully with those other accidents which have commonly but, as I shall hope to be able to show you, quite erroneously been regarded as the inevitable accompaniment of factory life. I should like, however, to explain that I am taking this course, not because I do not attach the very greatest importance to the proper guarding of machinery—I should indeed have been glad to have devoted the whole time of my lecture to this subject alone—but because I am anxious to put before you some details of the new “safety” movement which in a general way is only beginning to show itself in this country, but which has already made great strides and accomplished wonderful results in America.

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EXTENT OF THE PROBLEM

Before we consider the remedies, however, let us see what the extent of our problem is. During the past year notices were received by the inspectors attached to the Factory Department of the Home Office of 1384 fatal accidents, 40,056 accidents due to machinery, and 84,582 non-machinery cases. These are serious figures, which no one can view with equanimity. They are, moreover, rather below the normal annual figures, since there has necessarily been during the past year a good deal of unemployment, arising from the change over from war to peace work, and if you will consult the Annual Reports of the Chief Inspector of Factories, you will find year by year even higher records of this continual toll upon our industrial life. I ought to explain here, too, that it is not all accidents which are reportable to the Inspector. Thus as regards accidents due to machinery, these are only reportable if they keep the worker away from his ordinary work for at least one whole day, while non-machinery accidents become reportable only if the worker is absent for more than seven days. It will be clear, then, that the figures I have given must, as regards non-fatal cases, be very considerably below the real number of cases which occur. A truer indication of the actual total is afforded perhaps by the returns under the Workmen's Compensation Acts, but for these I must take you back to the years before the war, which is the last year for which complete returns have been compiled.

In 1913 there were in factories and docks 1298 fatal accidents for which in round figures £190,000 was paid in compensation, and 225,096 non-fatal cases for which compensation amounting to £1,300,000 was paid.

I want you to try to visualise these figures, and

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to picture to yourselves the immense economic loss they represent to the nation, to industry, and to the workers themselves. If you will do this, you cannot but realise also the immense importance it is to all of us, more particularly having regard to the ravages of the war on the man-power of the country, that so great a cause of waste and loss of efficiency in our industrial organisation should be as far as possible removed. More than this, is it not a simple duty owing to those who give their labour, that the conditions under which they work should be rendered as secure as possible ?

Now these accidents divide themselves under two main groups :

(1) Machinery accidents which are preventable by better protection of the machinery.

(2) Non-machinery accidents, and accidents not due to want of fencing.

Let us consider these two groups separately.

ACCIDENTS PREVENTABLE BY SAFEGUARDS

The accidents in the first group are those which are specially contemplated by our Factory Acts which require that all dangerous parts of the machinery shall be securely fenced. The Factory Department of the Home Office has always devoted a large amount of attention to this question of fencing, and the experience gained by the inspectors and the administrative action they have taken have enabled them to effect great improvements in the fencing of machinery generally. Important results, too, have been obtained through the establishment of statutory regulations in certain industries, and in this connection special mention may be made of the regulations for self-acting mules and for shipbuilding. But though much

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has been accomplished in this way I should be sorry to suggest that anything like finality has been reached. Inspectors are by no means all-powerful ; on the contrary, they are often faced with difficulties in securing what they believe to be the best form of protection. For example, the law merely requires that " all dangerous parts of the machinery " must be securely fenced ; it does not define what is meant by " dangerous parts " nor what is to be regarded as " secure " fencing. There is thus ample room for disagreement between the inspector and the employer, and, still more important, between the inspector and the Courts, who have to interpret the law. All inspectors, moreover, do not think alike and have not all equal experience of all industries, and it is indeed not uncommon to hear complaints from employers that safeguards which satisfied one inspector are condemned by another. These differences of opinion are bound to arise, and the only way in my opinion by which they are to be avoided is by setting up definite standards of fencing for the machinery in all the principal industries. There would be immense advantages in doing this. We should secure uniformity of practice, we should assist the inspectors enormously in their work, and perhaps most important of all, it would become the practice of designers and manufacturers of machinery to construct their machines with all the necessary safeguards attached, and I need hardly point out that machinery can be fenced much more efficiently while it is being built than it can be if guards have to be attached to a machine already constructed. We are already working in this direction at the Home Office in consultation with representatives of employers and operatives, and a marked advance in the protection of machinery has already been accomplished through agreements which have been

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reached in, for instance, the cotton trade, the woollen trade, in bleaching and dyeing, and in the tin-plate industry in South Wales. Under these agreements a clear understanding has been reached as to what parts of each machine are to be considered dangerous, and in some cases (*e.g.* as regards the fencing to be provided for draw-bands and pulleys and scrolls of self-acting mules in the cotton trade) the actual form of the guard has been standardised. In this connection I am glad to learn that the Federation of Master Cotton Spinners have appointed an inspector to see that the terms of the Cotton Trade Agreement are complied with. I cordially wish him success in his work, and I offer him on behalf of the Department to which I belong all the assistance and co-operation which it is in our power to give.

I am glad to think, too, that special opportunity is being provided for a wide extension of this work by the formation of the Whitley Councils. It is the practice of the Factory Department to get into touch with each Council as it is formed and to seek to co-operate with them on safety, health, and welfare matters, and I believe that a great work lies before these Councils in improving conditions in the factories. Let me give one example of what we have accomplished with the Council for the building trade. This Council set up a special sub-committee to deal with safety and health questions, and we invited them to consider with us, amongst other things, how best to provide protection for wood-working machinery. The results have been most satisfactory. The Committee first of all invited other Industrial Councils interested in the subject, such as the Furniture Trade Council, the Saw-milling Council, and the Packing-case Making Council, to send representatives to take part in the deliberations, and finally recommendations of a most far-reaching kind have been unanimously agreed to,

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which certainly mark a big step forward in the safeguarding of this very dangerous class of machinery. This is an encouraging result, and a precedent which I hope may be followed in other industries. Our experience thus far has certainly emphasised the advantage of joint consideration of these subjects, and I am satisfied that if we are to obtain satisfactory results we must bring to bear on this subject not only the knowledge and experience gained by the inspectors but also that acquired by the employees and workers through their daily practical experience in working the machines, and I welcome most cordially, therefore, the opportunity that is afforded us by the Whitley Councils of consulting with the duly accredited representatives of both sides of industry in our efforts to reduce accidents.

This, then, is the line of progress which I would suggest to you so far as this class of accident is concerned. Let us, each and all, study this question of safeguards, and from our common knowledge endeavour to establish a standard of protection which will reduce machinery accidents to a minimum.

NON-MACHINERY ACCIDENTS, AND ACCIDENTS NOT DUE TO ABSENCE OF SAFEGUARDS

Let us now turn to the second class of accidents, which are, after all, by far the more numerous. Whatever may be accomplished by the provision of more adequate safeguards, it must be remembered that the reduction of accidents to be effected by this means can only represent a very small proportion of the whole. Two-thirds of the accidents reported are not due to machinery at all, and even as regards machinery accidents it has been the experience of the inspectors that not more than one-third of those reported are due to the absence of a guard. It follows,

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then, that however well machinery is guarded we cannot look for more than a 10 per cent reduction in the accident rate by the provision of safeguards alone. This is a rather startling fact which is not generally recognised, but it is interesting to note that our experience here corresponds exactly with that in America, and that they too estimate 10 per cent to be the maximum reduction obtainable by better safeguarding of machinery.

What are the causes, then, of this very large number of other accidents? In general they must be attributed to such causes as negligence, carelessness, want of instruction, want of thought, and perhaps more than all, want of proper appreciation of danger. In other words, they are due to acts and defaults of the individual, whether worker or employer, and they can be eliminated only if the individual can be educated and taught to take proper precautions against accidents, and to remedy the faults that have led to them. They are not cases which can be met merely by a more strict observance of an Act of Parliament, and the Factory Inspectors can therefore play but a small part in reducing them. But experience has shown, and I am going to give you some striking examples directly, that they can be enormously reduced by the joint effort of employers and workers in each individual trade and factory, by the establishment of a definite safety organisation as a recognised part of the works management, and by a general encouragement of the Safety First movement in industrial life.

Now unfortunately we have but few examples of safety organisations on these lines in this country. They are at the best rather in their infancy here. But I have just returned from America most profoundly impressed with what is being done over there. There are at the present moment two great movements operating in America: first, the "prohibition" move-

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ment, which has resulted in the whole of the United States becoming a "dry" country, and the second the "safety first" movement, which has taken an astonishing hold upon the people, and more particularly perhaps upon industry. It has been spread mainly by the National Safety Council, which is a voluntary Co-operative Association of Employers and others. It started only six years ago with 40 members ; it now has a membership of 3800 factories, railroads, public services, etc. Briefly, its function is to organise and lead the safety movement in the States, and by supplying to its members regular bulletins to bring to their attention all the latest and most efficient methods and ideas for getting the best results from safety work, and to assist them in keeping their Safety Department up to date. And as a result of these activities you will find, certainly in the better-organised States, like that of New York, that most of the larger factories have established a Safety Department as part of their organisation. And why have they done this ? I do not suppose the American employer does these things purely from philanthropic motives—not at all,—but he sees that if he can reduce his accident rate, he is going to increase the industrial efficiency of his works, and that while he is improving conditions for his workers, he is also going to put money into his own pocket by what he saves in payments under the Workmen's Compensation Acts. Believe me, they are in earnest about this subject over there. It was my privilege while I was in America to attend a Safety Congress, organised jointly by the New York State Labour Commission, and by the New York Manufacturers' Association, which took place in the town of Syracuse. And what did I find ? There were gathered together in the hall there, for a four days' conference, as many as 1400 to 1500 persons, representing employers and their managing staffs,

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workers, the great Insurance Companies, and the inspecting staff of the Labour Commission, all gathered together there to discuss this one question of safety. Papers of the most interesting kind were read, dealing with the different aspects of the subject. The first day was taken up largely with general discussions and addresses of welcome; the second day was described as Foremen's day, when the papers dealt with the position and duties of foremen in regard to safety; the third was Safety Engineer's day, when his position and duties were discussed; and the last day was the Factory Inspectors' day, when technical papers were read, dealing with such questions as fencing, lighting, dust-removal, and so on. The whole thing was most instructive, but what impressed me most, I think, was that all these people should have thought it worth while to spend the greater part of a week in such discussions, and I could not help reflecting how difficult it would be to organise a similar gathering here.

Now before proceeding to give you a few details as to the lines which a Factory Safety organisation should follow, let me give you one or two examples of what such organisations have accomplished in America. They are quoted from the published documents of the National Safety Council.

- (1) A large steel-foundry belonging to the Commonwealth Steel Co., at St. Louis, employing 2500 men.

In 1916, 769 men were injured and lost time.

In 1917, 371 men were injured and lost time; a reduction of approximately 50 per cent.

In 1918, 124 men were injured and lost time; a further reduction of approximately 60 per cent.

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In a word, five-sixths of the accidents were eliminated in three years. And whereas the firm five years ago were paying \$35,000 to cover loss from accidents, during 1918 the total cost of compensation was \$4,500. "I have made a larger dividend," the General Manager remarked, "on my investment in Safety than I ever realised in making steel castings."

- (2) The International Harvester Co., Chicago, a very large firm, whose experience is specially significant because in this great corporation are included coal-mines, logging-camps, saw-mills, railroads, steel-mills, foundries, machine-shops, and twine-mills.

During the first five years' experience in accident prevention work, deaths from accidents were reduced 60 per cent. In some of the larger plants, deaths and serious injuries have been reduced more than 75 per cent, and in the steel-mill, employing 1300 men, deaths and serious injuries were reduced 88 per cent. During the year 1915 the cost in compensation was only $\frac{1}{4}$ per cent on the payroll.

- (3) A recent statement issued by the United States Steel Corporation reveals the fact that during twelve years ending with 1918 in this Corporation, employing over a million workers in its mines and steel-mills, 23,195 were saved from being either killed or seriously injured, compared with the accident record of 1906.

As Mr. Price, the very able director of the Safety Council, put it to me : "The significance of this figure will be suggested when I point out that this number represents a city of 125,000 inhabitants, men, women, and children, in which city the head of every home,

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the father of every family was saved from death or injury."

- (4) In the city of Everett, Washington, there are sixteen lumber and shingle mills. Twelve of these are members of the Council, the other four are not. The records of the State Industrial Insurance Commission for the year 1918 show that the average compensation per employee for the twelve Council members was only \$4.88 while that for the non-members of the Council was \$22.79.

But to sum up the general position, it is claimed in America as a result of twelve years' experience of safety work that, given a proper safety organisation, 75 per cent of all accidental deaths and serious injuries can be eliminated in industry.

Perhaps, though, you will tell me that this is all American experience, that the accident rate there is notoriously high, and that therefore we cannot look for similar results here. This would certainly be a fair point to put, and it is an argument which ought to be met. I have heard it suggested, too, that while it may be possible to educate the average American worker, and teach him to be careful, the British working man is too apathetic towards these things, less willing to learn, and less teachable, and that a Safety campaign is therefore useless. I do not believe it, and for answer to both these suggestions I am going to give you one more example of the results obtained by safety work, and this time an English one. It comes from Port Sunlight, where there has been an organisation at work for some years, but I propose only to take you back to the time, three years ago, when a Safety Inspector was appointed. This officer works in close touch with the manager, the foremen, and the Safety Committee, which latter

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is composed of representatives of the management and of the workers. By their joint efforts accidents were reduced 50 per cent in the first year after the inspector's appointment, and by a further 12 per cent in the next year. And this was accomplished in a works where safety had long been studied, and where the accident rate was already very low. Observe how closely this corresponds with American experience. Is it unreasonable, then, to predict that similar organisations in other factories will produce equally good results?

Let us turn now to a consideration of what is meant by a "safety organisation," and of particular features of it which are essential to success. I think I have made it clear that its function is largely educational, that its aim is to reach the individual, the manager, the foreman, and the rank-and-file workman, and to get each and all intelligently and sincerely interested in protecting themselves, and in protecting their fellow-workers.

Now there are, I believe, five indispensable points to be observed, if success is to be attained.

(1) An efficient organisation must start at the top. The man at the top, the employer, the works superintendent or general manager, whoever it may be, must himself be a thorough believer in safety, he must, as they say, "put safety on the map" and give it a dignified and recognised place in his organisation. He must, too, convince his men that he means business by visible signs in the form of mechanical guards, good lighting, and good general working conditions.

And let me say here that I think perhaps this question of environment—of general working conditions—has not always received sufficient recognition in its relation to accident prevention. A very interesting enquiry was conducted by Dr. Vernon on behalf of the Health of Munition Workers Committee

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during the war in regard to the causation of accidents in munition factories, from which certain very interesting results emerged. As might have been anticipated, the accident rate was found to be influenced very directly by such factors as speed of production, fatigue, and so on, but it was found to be affected also by such factors of external origin as lighting and temperature. This, however, is somewhat of a digression, and the point I want to make is that the man at the top must make it clear to every one that he is in earnest in his endeavours to reduce accidents. Unless he shows himself to be a true believer in safety methods, he cannot expect to arouse enthusiasm amongst those who serve under him.

(2) The second essential is that there must be one man, call him a Safety Engineer, a Safety Inspector, or by what title you may choose, who must be given the time and the authority by the management to supervise all the safety work in the factory. In very large factories it will probably be found necessary for him to have some staff working under him, and even to have mechanics and carpenters under his immediate orders. On the other hand, in small works he need not be a full-time officer, and could combine other duties with his work as a Safety Inspector.

What, then, are the duties which such an officer will have to perform? They seem to me to fall under three main groups. First, he will have inspection duties. He must clearly be constantly about the works, watching for unsafe practices, inspecting the machinery, and seeing that the guards provided are maintained in proper conditions and are properly used, considering the need for further safeguards and preparing recommendations as to how they may be provided. In case of accident he should, as soon as it is reported, make all the preliminary investigations, preferably in company with the foreman and the

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departmental representative of the workers, and prepare a report for consideration by the Safety Committee. The second class of duties which he must undertake are educational—to put it generally, he must be the person who is going to keep safety on the map, after the employer has put it there, and it will be his duty, therefore, to be in constant touch with the foremen and keep them interested ; he will supervise the bulletin board service, of which I shall have something more to say in a minute ; he will conduct safety educational activities and arrange programmes for safety meetings, which need not by any means always be business meetings, but may with great advantage take the form of evening entertainments with lantern-slide lectures, and so on. His third set of duties are clerical duties, consisting in the preparation of records and reports on accident experience, and included in this will be the duty of making a close and detailed analysis of accidents. Great importance must be attached to this work. It is quite evident that if accidents are to be prevented, full knowledge is necessary as to how and where they occur, and this knowledge can only be acquired by a detailed analysis of the accident reports. It is not sufficient to know that an accident occurred in such and such a department, or at such and such a machine. It is necessary to get down to much closer detail, to examine precisely in what manner each accident occurred and precisely by what part of the machine it was caused. Accidents tabulated in this way will show at once which are the danger zones, and what are the dangers to be guarded against.

It is evident that this officer must play a very important part in any safety organisation and that success or failure will depend to a considerable extent upon the man selected. He ought to be a sound practical man, with a good general knowledge of the

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industry with which he is concerned, and with qualities of leadership and tact which will enable him to establish himself as the recognised leader in safety work.

ACCIDENT ANALYSIS

(3) The next essential which I would mention is the need for securing the co-operation of the foremen in the movement. A great point is made of this in America, where experience has led them to the conclusion that the attitude of the workmen towards safety depends absolutely on the attitude of the foremen. It is found that a foreman who is convinced of the need for safety work, who carefully instructs and supervises his men day by day, by act and word, convinces his men that he is doing everything in his power to protect them, and will get his men with him. He will thus lead his men into safety habits, where it is impossible to drive them. For securing this object it is most desirable, at least in large factories, that there should be regular meetings, say at monthly intervals, of foremen and sub-foremen, presided over by the Works Manager, with the Safety Inspector as Secretary, at which the discussion should centre round the accident experience of the previous month, and at which every foreman should be encouraged to make suggestions.

(4) The next essential is the establishment of a Safety Committee composed of representatives of the management and of the workers, which should meet at regular intervals—say once a fortnight: I wrote at some length on this subject in the Annual Report of the Chief Inspector of Factories last year, and at that time gave these Committees an even more prominent place than I am doing now. But that is not because my opinion as regards their efficacy has changed, but because my later experience has led me to believe

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that if the best results are to be obtained, these Committees ought not to stand alone, but ought rather to form a part of a wider and bigger general safety organisation.

Let me say a word first of all about the constitution of these Committees before we go on to discuss some of their duties. The essential feature of their constitution is that there shall be joint representation of the management and of the workers. Such representation need not necessarily be equal, though there are certain advantages in making it so, more particularly if questions are to be settled by vote. The representatives of the management will be nominated by the employer. As regards those of the workers, there has been some divergence of opinion as to the manner of their selection. In America they too are generally nominated by the employer through the foremen. The argument here is that by this means you get on to the Committee men that the foremen can work with, and men who are properly qualified to sit, whereas if the selection is made by the workers you are liable to get men appointed merely because, for instance, they are good football players and so are personally popular, whereas they may have no qualifications whatever for service on a Safety Committee. I do not myself think this is a serious danger and I regard the system as undemocratic. If the employer nominates both his own members and those of the workers, the Committee seems to me at once to lose its essential feature, and to cease to be really representative, and I am quite sure that in this country it would fail to carry with it the confidence of the workers. You cannot overlook the psychology of the ordinary working man. He is, rightly or wrongly, supremely suspicious of systems that are imposed upon him by his employer, and he is apt to ask himself what the employer is doing it for, and whether it is not a dodge

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for getting something more out of him. You must then, in my opinion, give him a free hand in the appointment of his representatives ; let them be elected by the workers themselves on the basis of one or more members for each department, and let the workers also settle the manner in which the election shall be conducted.

Members of the Committee should hold office for some definite period and should retire in rotation, and I think it will generally be found desirable that the representatives of the workers should not be eligible for immediate re-election. The object of this, of course, is to interest a large number of workers in the scheme, and constantly to bring to the Committee a supply of new thought and new ideas. I would apply this rule too to the representatives of the management if it were possible, but the numbers from which selection can be made are too small to render such a rule practicable.

Let us now consider the functions of these Committees. Their first and principal function will be to enquire into accidents, and it is desirable that their enquiries should extend to all accidents of every kind. They would receive at their meetings reports on all the accidents prepared by the Safety Inspector after his preliminary investigation. They should have authority, if necessary, to hear witnesses and to visit the scene of the accident and institute further enquiries themselves, and most important of all, they should publish an account of each accident, of the causes which led to it, and of the result of their enquiries. Experience shows that the publicity so obtained is of immense educational value, and has a marked effect particularly on workers whose accidents have resulted from carelessness or negligence.

A second duty which should be undertaken at regular intervals is the inspection, along with the

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departmental manager or foreman, of the different departments of the works. They should prepare recommendations to be forwarded to the employers as to the proper and effective guarding of machinery, the repair and maintenance of fencing, plant, works, and passage-ways, as to the provision of safety appliances, as to ventilation and lighting, as to first-aid and ambulance arrangements, and any other matters appertaining to safety. I think it might be desirable too that they should have brought to their notice any recommendations that may have been made by the Factory Inspectors as regards protection of machinery, and should see that the recommendations are carried out.

Yet another duty which should be undertaken is the consideration of safer methods of working, and they should encourage suggestions to this end through a suggestion box or otherwise.

I have discussed these Committees at some length because I have great belief in their usefulness and in their power to improve conditions. There is a story told of an American employer who had just appointed an inspection committee, as they call them there, and was asked what the result had been, who replied, "I will tell you what happened the first hour after this committee started out on its tour of inspection. They came back to my office and reported twenty-eight serious points of danger, on any one of which a serious accident or death might have occurred." Whether every Committee is likely at once to attain such conspicuous success is perhaps doubtful, but the experience gained on a large number of plants in America in which these Committees have been properly organised shows that the following three things always result. First, when the workmen are given an active part in accident prevention, are given recognition and responsibility, they take a new interest in their

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work. Secondly, that when the workmen on these Committees begin to make inspection, they discover for themselves, what the management cannot make them believe, how large a percentage of the accidents cannot be prevented by the employer, but must be prevented alone by the carefulness of the worker. And thirdly, it is found that when men have served on a Committee for their allotted periods they become the most ardent supporters of safety and do much to win the confidence of fellow-workmen in the movement.

There is a pamphlet and appendix prepared by the Home Office dealing with these Committees, and I shall be glad to supply them to any one who may be interested.¹

(5) My last point, which I believe to be essential, is the use of bulletin boards. In practically every plant in which safety work is being done a bulletin board is placed in each department. On this board are pasted bulletins with pictures and stories¹ which drive home what the workman can do to protect himself. The secret of a good bulletin board is constant change, always something new, something striking. The notices must preach Safety, and it is remarkable how, when anything is continually being preached to us, the lesson gradually sinks in and almost subconsciously, perhaps, we come to practise what is preached. After all, this is merely the principle of advertisement. Notice-boards drawing attention to the merits of Beecham's Pills or Malted Milk are not planted all along our railway lines merely for amusement or to disfigure the country, but because the proprietors know that by constantly bringing to the eye of the public the merits of these commodities the public will want to know more about them and try their effects. So too with Safety. If the worker is con-

¹ See note on page 167.

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stantly reminded of the advantages of Safety methods, he too will soon begin to try their effects and recognise their merits.

These, then, are the essential features, I believe, of a successful safety organisation. They have been tested in America, and have not been found wanting. Are we here going to adopt similar methods? It has long been our proud boast that we have led the world in factory legislation, and I cannot believe that in this matter of accident prevention we are going to be left behind. I would appeal, then, to those progressive employers who take a keen interest in their employees and in the conditions under which they work to establish safety organisations such as I have described in their own works, and to use their influence at meetings of Employers' Associations or Industrial Councils to interest others in the question. I would refer those who desire guidance and assistance in this matter to the British Industrial "Safety First" Association, which has recently been established in London, and which is undertaking the same kind of propaganda work in this country that has been carried through by the National Safety Council in America, and I would ask them to give this Association their support. If this doctrine of safety is to be spread, an immense amount of propaganda work, an immense amount of educational work is necessary, and this can only be done effectively by some body such as the Industrial "Safety First" Association, which can give whole-time attention to the work. I would appeal, too, to our great Trade Unions to take their share in the work. Workers are claiming, rightly and properly, a larger share in the management of the conditions under which they work. Is not safety one of the first questions in which they ought to interest themselves, and may it not reasonably be expected that they will assume their share of the responsibility

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and co-operate with the employers and the inspectors of factories in carrying through so great a reform?

It is, I believe, only by the establishment in our factories of some such organisation as I have described that we shall ever reduce our accident rate to satisfactory dimensions.

NOTE.—Posters for exhibition and pamphlets for distribution may be obtained on application to the British Industrial “Safety First” Association, 31 Westminster Broadway, London, S.W.1. The Home Office also issues literature dealing with “Safety” Committees. Enquiries should be addressed to H.M. Chief Inspector of Factories.

The International Regulation of Labour under the Peace Treaty

By SIR MALCOLM DELEIVINGNE, K.C.B.

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A LECTURE DELIVERED ON TUESDAY, FEBRUARY 10, 1920

I AM glad to have this opportunity of addressing a gathering of those who are interested in questions of Industrial Administration on the subject of the international regulation of the conditions of labour, because the importance of the movement in the direction of international action in this matter has not, I think, received the attention in this country which it deserves, whether as regards its bearing on the international situation generally or on the interests of British Industry.

Until within the last few years the regulation of labour conditions has been regarded as a matter of domestic concern. In such regulation Great Britain led the way in the early part of the last century and has continued to hold a leading position ever since. Perhaps as a consequence, we have gone on our way developing our system without very much regard to what was being done in a similar direction in other countries. We have kept our eyes on our own conditions and in our national manner have dealt with each problem as it arose, each successive development becoming the starting-point and basis for the next. As a result we have our great system of industrial regulation, contained partly in a series of industrial

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laws, partly in a mass of industrial agreements, which, on the whole, can bear comparison with anything that other countries can show, and which helped beyond doubt to carry us successfully through the Great War and is standing us in good stead in the difficult days of reconstruction through which we are now passing.

In the meantime an industrial development had been proceeding on similar lines in other countries. Commencing later than in Great Britain, it had before the war, in the chief industrial countries, reached much the same point as with us. The great industries had become organised on much the same lines—the problems arising in them were similar—and international competition had become acute.

Labour questions were beginning to assume an international aspect, and the need for international action was beginning to be realised.

Government officials charged with the administration of Labour Laws and the task of safeguarding the health and safety of the workers were realising the advantages of the interchange of information, and feeling the need of co-operation and co-ordination in the efforts which were being made simultaneously in the different countries to deal with the dangers to life and health which are incident to modern industry. Arrangements for pooling experience and the results of research, for mutual consultation, and for collating and disseminating information on industrial questions were coming into existence. It was also becoming more and more the practice for Government commissions and officials, when dealing with any important question of industrial regulation, to examine, by personal visits and investigations on the spot, the methods adopted in other countries.

International competition also gave birth to a movement for the equalisation of labour conditions. The need for this was more especially felt on the

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Continent, where only artificial, and not natural, barriers separated one country from another. You will be aware that this movement led to the formation of an International Association for Labour Legislation, which had its centre in Switzerland and branches in most of the industrial States of Europe as well as in the United States of America, and was recognised and assisted by a number of Governments, including our own. As a result of the efforts of this Association, and on the initiative of the Swiss Government, which has played an honourable part in fostering this movement, the first official Conferences for the promotion of international agreements on Labour questions were held in Berne in 1906 and 1907, and produced the conventions for the prohibition of the employment of women in industry at night, and the prohibition of the use of white phosphorus in the manufacture of lucifer matches, which have now been accepted by most of the countries of Europe. These conventions are interesting, because they illustrate two different ways in which international action may operate. In the case of the first of these conventions, relating to the employment of women at night, the effect was to bring nations more backward in the regulation of industrial conditions up to the level already reached by the more advanced countries such as England and France. In the case of the second convention, relating to the prohibition of the use of a poisonous substance which was still in general use in almost all the countries concerned, the effect was to permit a general advance to be made by eliminating the element of competition.

In connection with this movement towards the equalisation of labour conditions, we may note a cognate movement towards reciprocity between States in regard to the treatment of the subjects of one State employed in the country of another. This movement originated on the Continent, where Labour passes

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readily across the frontiers, and perhaps the most notable example is furnished by the Franco-Italian conventions, culminating in the elaborate convention concluded at Rome during the summer of last year. The Anglo-French convention of 1909 in regard to the compensation of workmen for accidents is another instance. Such arrangements tend to promote the equalisation of conditions as between the contracting countries.

Another movement towards international co-operation which had also made progress before the war, and is destined to have great influence in the future, is that of Labour itself. I need not go into the history of this movement or dwell on its importance. The more recent history of the movement will be well known to you. I will only note, first, the influence which the international voice of Labour had on the Peace settlement effected at Paris last year, in securing the recognition of the claims of Labour in the Treaty itself, and on the proceedings of the Conference which recently took place at Washington ; and, secondly, the formation, or rather the reconstitution, of the International Federation of Trade Unions, with its international staff, at Amsterdam last summer—in which the Labour representatives of America as well as of Europe took part.

So much for the movements towards international action which existed before the war.

The outbreak of war in 1914 suspended these movements for the time, but it has had the effect of immensely stimulating the international movement generally and has profoundly altered the situation in regard to the regulation of labour conditions. Not only has the war drawn the nations closer together than ever before by the unity of effort which it imposed on them to maintain their existence, and given birth to a desire for a new order in international relations

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generally, but it has also profoundly affected both the general attitude towards Labour and the aspirations of Labour itself. The war has brought about a new recognition of the position of Labour in the life of the community ; the part which it has played during the war both on the battlefield and in the workshops has by common consent given it a claim to an improvement in its lot ; and the necessities of production during the war have shown at the same time that better conditions are essential to the efficiency in production on which the welfare and the progress of the community depend. Again, Labour itself has gained a new consciousness—it has been finding itself. It realised that the conditions of peace would be of great moment for the future of Labour ; the international movement of Labour came to life again ; and both nationally and internationally Labour began towards the close of the war to claim that its voice should be heard in the settlement of those conditions, and that the Treaties of Peace should lay the foundations of a new order in the industrial as well as in the political world.

The times were ripe for a new advance ; and when the Peace Conference met in Paris in January of last year, one of its first acts was to appoint a Commission to “inquire into the conditions of employment from the international aspect, and to consider the international means necessary to secure common action on matters affecting conditions of employment, and to recommend the form of a permanent agency to continue such inquiry and consideration in co-operation with and under the direction of the League of Nations.”

That Commission, which included men identified with the Labour movement, like Mr. Barnes and M. Vandervelde of Belgium, as well as officials and others, took as the basis of its deliberations a scheme for an international organisation which was laid

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before it by the representatives of the British Government. The scheme was twice gone over by the Commission, and in the interval between the first and second reading was discussed with representatives of employers and workers. It was finally adopted by the Commission with amendments, submitted in the form of a draft Convention to the Peace Conference, and approved by the Peace Conference at a plenary session on April 11th. In addition, the Commission drew up a statement of fundamental principles for the regulation of Labour which they recommended for insertion in the Treaty of Peace. This, in a modified form, was also adopted by the Conference. The draft convention for the establishment of an International Labour Organisation and the statement of principles were embodied in the Treaty of Peace and form Chapter XIII. of the Treaty as finally signed at Versailles on June 28th. For the first time the interests of the manual workers were recognised as a factor of importance in a peace settlement between the nations.

The time at my disposal will not allow me to go into the details of the "labour convention," nor is it necessary for my present purpose. I will mention only its chief features and offer some observations upon them.

(1) *The Membership of the Organisation.*—The Organisation is made a part of the organisation of the League of Nations. The improvement of the conditions of labour is expressly treated as the concern of the League, and all States which are members of the League are *ipso facto* also members of the International Labour Organisation. Let me quote the clauses of the Treaty which provide for this. By Article 23 it is provided that "the Members of the League will endeavour to secure and maintain fair and humane conditions of labour for men, women,

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and children, both in their own countries and in all countries to which their commercial and industrial relations extend, and for that purpose will establish and maintain the necessary international organisations" ; and by Article 387, that the original members of the League of Nations shall be the original members of the permanent Labour Organisation, and hereafter membership of the League shall carry with it membership of the Organisation. There has been a disposition in some quarters to question the desirability of this connection between the League and the Labour Organisation. It has been suggested that the Organisation should be independent and should be free to regulate its own membership, admitting, if it thinks fit, any State whether a member of the League or not. In my view, the connection between the League and the Labour Organisation is a source of strength and is indeed essential to both, and their separation would have consequences which might be disastrous to both. The Labour Organisation gains by having the whole weight and authority of the League of Nations behind it ; the work which it does depends for its success on its acceptance by the Governments of the States, and the influence of the Organisation with the Governments will be vastly greater if it acts as a function of the League than if it exists as a separate and sectional organisation. The Labour Organisation is indeed dependent for its existence on the existence of the League. If the League falls, and international relations revert to the pre-war conditions, the Labour Organisation cannot exist. The ideas of international co-operation for which the League stands are the only soil in which such an organisation as this can flourish. Again, without the connection with the League, the important provisions (to which I will refer presently) for the enforcement of conventions and the determination of disputes, which form the guarantee on which

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the authority of the work of the Organisation depends, will fall to the ground. On the other hand, the connection strengthens the position and influence of the League by associating it directly with the welfare of the working classes : it gives the League the positive work of establishing the conditions of social welfare which make for peace as well as the negative work of preventing war ; and by drawing the nations together in a joint work for the common good strengthens the bonds by which the League will be held together.

It seems to me impossible that two world-wide or almost world-wide organisations, dealing with matters of national and international interest, should exist separately, each taking its own course and developing possibly on different lines, without difficulties of a very serious character arising. The matters with which they are severally concerned must inevitably touch at many points, and without the full co-ordination and co-operation which are secured by the basis laid down by the Treaty for the Labour Organisation, the work of both will be impaired.

I have dwelt at some length on this point, because it seems to me to be one which the friends of the Labour Organisation, as a real international and not a sectional institution, should keep steadily in view.

(2) *The Constitution of the Organisation.*—The Organisation consists of an International Conference which will meet at least once in every year, and a permanent International Labour Office which will be established at the seat of the League of Nations. The Conference is the deliberative and legislative body ; the Office is the executive and administrative. They stand in relation to one another much as our Parliament and Government Departments.

The Office will have important duties. It will collect and distribute information on all Labour matters. It will seek to pool the experience and the

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researches of the various industrial States for the benefit of all. It is hardly necessary for me to insist on the value of the services which the Office will be able to render in this way both to the Governments and to the industries of the different countries. In this country, investigations are constantly being made by the Government, with the co-operation of the representatives of management and of labour, into such questions as the prevention of accident or industrial disease, or the question of industrial fatigue, which is now recognised as a factor of great importance in industrial efficiency. Other countries have been and are making similar inquiries. It is obvious that the more each country knows of what other countries are doing in the same field, and of the results attained, the more quickly and easily will a solution of these problems be reached. The Office, however, will not be merely a channel or clearing-house—it will have the power to institute inquiries and researches on its own account.

Another function of the Office will be to prepare the agenda for the Annual Conferences. The Governing Body of the Office is given the power to settle the agenda (subject to any resolution that may have been passed by the preceding Conference to discuss a particular subject at the next Conference). I wish to call your attention to the fact that the Governing Body contains representatives both of employers and workers, and to the provision that the Governing Body in settling the agenda is to consider suggestions made by the chief representative organisations of employers and work-people in each country as well as suggestions made by the Governments. Full opportunity is thus secured both to the management and the workers in industry to express their views and bring their influence to bear in regard to the selection of subjects for consideration by the Annual Conferences.

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The Office will not only prepare the agenda—it will also examine the subjects proposed for discussion and prepare reports. In connection with the recent Conference at Washington this work of preparation was done by the Organising Committee, which was appointed by the Peace Conference for the purpose, as the Labour Office had not at that time been constituted. The Organising Committee circulated to the Governments of the States a questionnaire on each of the subjects in the agenda. The replies of the Governments were analysed and summarised, and the Committee presented to the Conference for its consideration three reports embodying the information obtained and submitting draft conventions or recommendations.

This work of preparation for the Annual Conference is perhaps the most important work the Office will have to do. It was one of the weaknesses of the International Labour Conferences held before the war (to which I alluded previously) that no adequate preparation of the subjects was possible in the absence of a central organ with official authority and resources. The work which was accomplished at Washington in four and a half weeks would have entailed months of discussion before the war. It was to a large extent the preparatory work done by the Organising Committee which made possible the agreements reached at Washington.

The Office will also be entrusted with duties in regard to international conventions when adopted. It will receive reports from the States as to the measures taken to carry out the conventions, and it will also have power to take certain measures in regard to any complaints that may be made to it of default on the part of any State in carrying out its obligations. I will refer to this again later.

I come now to the Annual Conference. The

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business of the Conference is to work out progressively an international code of Labour regulation. The preamble to the Convention specifies in particular, as subjects needing to be dealt with, the regulation of the hours of work, including the establishment of a maximum working day and week; the regulation of the labour supply; the prevention of unemployment; the provision of an adequate living wage; the protection of the worker against sickness, disease, and injury arising out of his employment; the protection of children, young persons, and women; provisions for old age and injury; protection of the interests of workers when employed in countries other than their own; recognition of the principle of freedom of association; the organisation of vocational and technical education.

The aim is to reach by means of free discussion and agreement between the parties interested a general improvement in the conditions of labour.

The Conference is constituted therefore of representatives of each of those parties—of the Governments as representing the community; of the employers in industry; and of the workers. The conclusions of the Conference may be cast in the form either of draft conventions or of recommendations to the national Governments; and, as the aim is to secure a general acceptance of the conclusions so that a simultaneous advance may be made in all countries, it is required that a two-thirds majority in the Conference shall be necessary to carry the adoption of any draft convention or recommendation.

The draft conventions and recommendations when adopted are communicated to the Governments of the States which are members of the Organisation, and the Governments are bound by the terms of the Treaty to submit them to their legislative or other competent authority. That authority is free to accept

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or reject them. A recommendation has not the same force as a draft convention. It is an intermediate measure carrying no obligation beyond that of presentation to the national authority. In the case of a convention, if it is accepted by the competent national authority, important obligations follow. The Government of the country is bound to ratify the convention and to put it into effect; and the Treaty provides certain measures for securing the observance by the States of conventions which they have ratified.

Each State is entitled to send four delegates to the Conference—two representing the Government, one representing the employers, and one representing the workers. If, therefore, the full number of Government delegates is appointed, they constitute one half of the Conference. This proportion was decided upon for two reasons: the first being that as each State is free to accept or reject any convention or recommendation submitted to it, it is important to give weight to the views of the Governments, so that conclusions may be reached which are likely to be accepted by them; the second reason being that as a convention or recommendation requires a two-thirds majority the larger Government representation is necessary to prevent the combined opposition of either of the other groups making it impossible for the Conference to reach any conclusion at all.

The only other feature of the Conference to which I need draw your attention—and one of the most important—is that each delegate has the right to speak and to vote independently. The delegates of a country are not required to vote as a block. The employers' delegate and workers' delegate are free to put forward their own views, whether those views are in harmony with or are opposed to the views of the official delegates of the country.

From the brief sketch which I have given you of

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the constitution, the functions, and the powers of the Conference, you will see that it forms a real Parliament on Labour questions. It is designed to ensure the fullest discussion of these questions, and the fullest exposition of the views not only of each nation but of each group in each nation.

It is not too much, I think, to call the Conference a Parliament. It is true that its resolutions are not by themselves binding on the several States. That is a stage which may possibly be reached in the future, but the nations are not at present prepared to surrender the final decision on matters of national legislation to an international authority. The Conference, however, is much more than the International Conferences of the past. Its resolutions, as we have seen, carry with them certain definite obligations on the Governments. They cannot be pigeon-holed in the archives of the Government Offices—they must be submitted to the decision of public opinion; and resolutions adopted by the free vote of a Conference of all the chief countries of the world must carry a great moral weight which will exercise a powerful influence both on the Government and on the public opinion of the different countries. I have no fear that the countries which have bound themselves by a covenant to promote humane conditions in their industries will be slow or unwilling to respond.

One further question remains to be noticed—the question of sanctions. What consequences are to follow if any member of the Organisation fails to carry out a convention which it has accepted and ratified? What guarantee can be given to a State, if it adopts an international agreement for some improvement of labour conditions which may have the effect of imposing restrictions on its own industries, that the restrictions will be carried out with equal exactness by the States which compete with it in the same

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field? What guarantee can be given to Labour that the improvement which it has secured by agreement in the Conference will not be nullified by a lax administration? What authority can be established for determining the questions or disputes which are certain to arise as to the interpretation of the conventions prepared by the Conference? This was not the least difficult of the questions which the Labour Commission in Paris had to consider.

Already in 1906, when the first International Labour Conventions were under consideration at Berne, proposals for the creation of an international commission which would exercise a general supervision over the execution of the conventions, and advise on any disputes or complaints which might be submitted to it, had been put forward by the British delegates; but no agreement on the subject could then be reached. Even a modified and much weaker proposal for the creation of a Commission to advise on any doubtful points arising in connection with the conventions, though it secured the support of a majority of the States represented at the Conference, could not be carried through, in the face of the opposition of several States, in particular of Germany and Austria.

In 1919 a new idea of international action and co-operation had arisen. The conception of a League of Nations, bound to one another by mutual obligations, with a permanent Court of International Justice, gave a new basis for the settlement of the question. Though the details came in for much discussion, there was little opposition in the Labour Commission to the principle of providing sanctions for the observance of conventions and setting up an authority to investigate and determine complaints.

The procedure which was finally adopted by the Commission is, very briefly, the following. Com-

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plaints that any State "has failed to secure in any respect the effective observance within its jurisdiction of any convention to which it is a party" may be made to the International Labour Office by any other State which is a party to the convention, or by any industrial association of employers or of workers, or by any delegate to the Conference. The Governing Body of the Office may invite the State complained of to make a statement, and in the event of no satisfactory reply being received, the complaint may be referred to a Commission of Inquiry. The Commission will be appointed by the Secretary General of the League of Nations from a standing panel composed of persons of industrial experience nominated by the States. Each State is required to nominate to the panel three persons, one an employers' representative, one a workers' representative, and one a person of independent standing; and a Commission of Inquiry will be composed of three persons, one from each group. The Commission will make a report of its findings to the League, and if there has been default, will state what steps should be taken by the defaulting State to meet the complaint, and indicate the measures of an economic character which other Governments would, in the event of the default not being remedied, be justified in taking against the defaulting State. From the decision of the Commission, an appeal will lie to the Permanent Court of International Justice of the League.

It may be expected that the publicity which will be given to the matter, and the force of public opinion, will be sufficient of themselves in most cases to ensure compliance with the decision of the Commission or the Court, without the application of any economic pressure.

I have now sketched the main features of the International Labour Organisation which has been

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established by the Treaty of Peace. It has not been possible to go into details. For these I must refer you to the Treaty itself, or to the pamphlet which has been issued by the Ministry of Labour, entitled *Labour and the Peace Treaty*. In making the sketch, I have tried to show how on the one hand the Organisation has developed out of movements which existed before the war and has been framed in the light of previous experience, and on the other hand that it is drawn on lines which respond and give expression to the new international spirit and the new recognition of the place of Labour in the community. For the first time the international regulation of labour conditions has been expressly accepted by the Governments as one of their most important duties; and for the first time Labour, and the management of industry too, have been given a direct and independent voice in the settlement of those conditions.

The International Labour Organisation is now an accomplished fact, and the scheme has already been put to the test of actual practice. As you will be aware, the first International Labour Conference was held at Washington, under special provisions inserted in the Treaty for the purpose, in November of last year. The test was a severe one, and I think there is general agreement that the scheme came through it successfully. Forty-one nations sent their representatives. The Conference in actual fact embraced the world "from China to Peru"—Australia being the only continent unrepresented. The delegates numbered about 120, representing countries in almost every stage of industrial development. The task before the Conference was a heavy one. A Conference of this kind and on this scale had never been held before. Rules of procedure had to be settled, and the difficulty as to language had to be overcome. The delegates naturally brought with them the ideas

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of procedure which prevailed in their representative assemblies ; and in view of the wide differences which exist in this respect, the task of settling the rules for the conduct of business was not an easy one. The list of subjects for the consideration of the Conference, which had been fixed by the Treaty of Peace, was a long one, and during the early days of the Conference, when the Conference was going through the difficult process of " settling down " and progress seemed slow, pessimistic persons indulged in forebodings that the spring would find the Conference still in Washington. Those forebodings were very quickly falsified. The delegates in all the groups were animated by a real desire to bring about an improvement in the conditions of labour in accordance with the spirit of the Treaty of Peace. They recognised that the object of the Conference was a practical one, that their business was not to indulge in vague discussion or to put forward ideals of industrial reform which had no chance of being realised in present circumstances or to press purely national points of view, but to reach solutions of the questions presented to the Conference which would secure the greatest measure of agreement. I do not say that no disposition to regard matters from a purely national standpoint existed—to be able to treat a subject from the point of view of other countries besides one's own (in other words, to " think internationally ") is not easy—but certainly a great advance was made in that direction. Above all, there was a sense of the importance of the issues which hung upon the success or failure of the Conference and a determination that it should not fail. In four and a half weeks the Conference had finished its task. It had adopted six draft conventions and nine recommendations ; it had settled the rules of procedure for the Conferences, and had taken the preliminary steps for the establishment of the International Labour Office.

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The most important of the conventions dealt with the question of the eight hours day and forty-eight hours week in industry. If it had done nothing else, I venture to think that the Conference would have done a great work. The fact that it was found possible by the Committee of Government representatives, employers, and workers, to which the question was referred, to come to a unanimous agreement upon it, seems to me a remarkable thing and of most hopeful augury for the future work of the International Organisation. This convention was carried in the full Conference by a majority of 82 votes against 2.

The other conventions provided for the prohibition of employment of women in industry during the night, carried by 94 votes against 1 ; prohibition of employment of children in industry below 14 years of age, carried by 91 votes against 3 ; prohibition of employment of young persons under 18 in industry during the night, carried by 93 votes and none against ; restrictions on employment of women in industry and commerce before and after childbirth, with provision for mother and child, carried by 67 votes against 10 ; and certain measures in connection with unemployment, carried by 86 votes against 4. The recommendations dealt with employment in certain dangerous trades ; measures against industrial anthrax ; establishment of a system of unemployment insurance, and some other matters.

In pursuance of the Treaty, these conventions and recommendations will be submitted to the Governments of the States which are members of the League, and will by each of them be laid before the competent authority, which in Great Britain will be Parliament, for its decision.

I have little more to add. With the Washington Conference the International Labour Organisation

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came into actual existence. Since the Conference, the Governing Body of the International Labour Office has been constituted, and the organisation of the Office is now being taken in hand. The next Conference will be held in June and will deal specially with the conditions of employment in the maritime service.

It is hardly necessary for me, in conclusion, to emphasise the importance of the industrial organisations of the country taking an active interest in the work of the International Labour Organisation. The work of the Organisation is a matter which concerns every industry in the country. Its recommendations may—probably will—determine the conditions under which industry in this country will have to be carried on. It is of the greatest importance, therefore, that British Industry should make its influence felt in the discussion and solution of the problems which will be dealt with by the Annual Conferences. If this is to be done, there must be full consideration beforehand of the subjects to be discussed ; the International Labour Office, which will have the duty of preparing the reports to be submitted to the Conferences on the several items in the agenda, should be furnished with all essential information ; and the views of British Industry should be adequately presented at the Conference. I urge this upon the attention of the great industrial associations of the country—employers and workers alike—because it is only by the co-operation of all interests in the work that solid and lasting results can be obtained. Decisions taken in the Conferences on insufficient information or a one-sided presentation of the case may do great harm both to industry and eventually to the Labour Organisation itself.

I believe that industry in this country has everything to gain from the work of the International Labour

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Organisation. It is only by international action that the conditions between competing countries can be equalised. Results which may be of great importance to our industries have already been achieved in this direction at Washington. Consider, by way of instance, the case of Japan. Much has been written recently of the growth of Japanese competition in the Eastern markets. The industrialisation of Japan is proceeding rapidly, and she has an abundant supply of cheap labour. The conditions in her factories have been far behind those of this country. Production in the cotton mills, for instance, has been carried on continuously by employing shifts of women day and night. Long hours and heavy overtime have been the rule. As a result of the Washington Conference, all this is now likely to be changed. The Japanese delegates at the Conference—whose attitude in the matter calls for honourable mention—accepted the prohibition of the employment of women and young persons at night, the prohibition of the employment of children below the age of 14 with an exception only for children over 12 who have completed their education, and, most important of all, a reduction of the weekly hours of work to 60 in the raw silk industry and to 57 in the cotton and other industries, with a weekly rest of 24 consecutive hours. Perhaps no more remarkable advance has ever been made at one stride in the regulation of labour conditions, and its importance will be appreciated at any rate here in Lancashire.

I may add that the greatest interest has been aroused in Japan by the creation of the International Labour Organisation and the proceedings at Washington, where the Japanese press was strongly represented. It seems that a new industrial era is opening in Japan.

Again, the work of the Organisation will make for stability in our industrial affairs. The Labour world

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at present is in a ferment everywhere. The Labour situation in each country is going to be profoundly affected by the Labour situation in other countries. No country can isolate itself in this matter nor keep out the new ideas of every kind which are springing up in the world of Labour. The International Organisation provides the way by which these ideas can be brought into the forum of an international conference for open discussion.

Lastly, in making for industrial peace, the Organisation makes for the general peace of the world. The framers of the Peace Treaty have declared in emphatic words in the preamble to Part XIII., which contains the Labour provisions, that peace can only be established if it is based on social justice, and that conditions of labour exist at the present time which produce unrest so great as to imperil the peace of the world. The Labour Organisation will help, by bringing about an improvement of those conditions, to promote the establishment of a permanent and universal peace ; and what makes for general peace will make in turn for industrial security and prosperity. In an eloquent speech at the plenary session of the Peace Conference at which the proposals of the Labour Commission of the Peace Conference were adopted, M. Vandervelde, the Belgian Socialist Minister, made a striking remark. He said that there were two methods of bringing about a change in the present social order—the one was the Russian method, the other the British ; and that it was the British method which had triumphed in the Labour Commission.

Recent Thought on the Government of Industry

By R. H. TAWNEY, B.A.

A LECTURE GIVEN ON TUESDAY, FEBRUARY 17, 1920

A CONSIDERATION of the proposals which are being advanced for a change in the government of certain great industries is at the present time not merely of speculative interest but of immediate and practical moment. It may be objected, of course, that it is not in this region that the most urgent of the problems before us reside. The economic machinery of the world has been broken down. Great Britain herself suffers from a depreciated currency, a load of debt, loss of profitable markets, and from the backwardation in the equipment of certain industries which is the consequence of five years of war. Over a great part of Europe there is chaos. Both the material and the moral conditions of economic activity have been shattered. In Austria and Germany the question is not under what kind of constitution industry is to be carried on, but whether industry can be carried on at all. In such circumstances, it may be urged, only one need is paramount, and only one need deserves attention. It is production and ever greater production. If the world is to recover, the first condition is a great increase in the output of industry. Paper schemes of industrial reorganisation can wait until that condition has been satisfied.

That view is plausible. But as far as this country,

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at least, is concerned, I believe it to be superficial. In reality, the question of industrial government has become, not through design, but by the mere logic of industrial development, no longer a theoretical, but an eminently practical one. If before 1914 it was still in the region of paper programmes, it has since become an issue upon the settlement of which (apart from other considerations) the productivity of several industries very intimately depends. Even during the war, when it became necessary to reorganise certain industries with a view to increasing supplies or economising materials, it was found that the indispensable reorganisation could be carried out only if they were endowed with a provisional constitution on which all interests were represented. I need mention only the coal-mining organisation committee, composed of representatives of the Miners' Federation and the Mining Association, with local pit committees, which were established to secure increased output, or the woollen control board in the Yorkshire textile trade. At the present time this question is undoubtedly, apart from the termination of mere economic chaos on the Continent, the most important with which industrial societies are faced. It has resulted in the attention of students and social reformers being diverted from questions of mere poverty, which were their preoccupation ten years ago, and concentrated on questions of control. It has obviously given a new direction to Trade Union activity, which no longer is satisfied with bargaining for improved conditions, but aims at the conversion of the *personnel* of industry into a self-governing profession, serving the public. It has been paid lip-service by the Government in proposals which admit the urgency of the problem, if they contribute little to its solution. In Great Britain it has produced alternative proposals for the reorganisation of the three great industries of

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building, mining, and railway transport. In Germany it has become a burning question in connection with the second, in America in connection with the third. To wave on one side so general a movement as the creation of agitators or the invention of intellectuals betrays a levity or ignorance which is positively terrifying. It commands support because it appears (rightly or wrongly) to meet certain definite needs, of which increasing numbers of men and women are increasingly conscious. If those needs were not acutely felt the seed sown by propagandists would fall on barren ground.

Nor is the movement one which those who are interested primarily in the recovery of economic prosperity can afford to neglect, or which is irrelevant to the question of economic efficiency. On the contrary, it is vitally connected with it. Efficient production depends partly upon material conditions of equipment and organisation, partly upon personal qualities, the skill of the management and the worker, partly upon psychological conditions, confidence, good will, and a belief in the reasonableness and justice of the system under which men work. Of these the first has received more attention than the second, and the second than the third. Yet the third is the most important, since the application of the two first depends upon it. The waste arising in the past from the neglect of the imponderables of industry, from the exclusion of the mass of the workers from responsibility, from the attitude expressed in the words, "Your job is to work, we'll do the thinking for you," from the irritation and apathy produced by working under irresponsible and sometimes autocratic authority, from the insecurity of tenure which characterised most industries, and from the distribution of surpluses to functionless shareholders which was the aim of nearly all—such waste was incalculable. Prior to the war,

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however, it was concealed, because the willingness of the *personnel* of industry to co-operate in production, without raising fundamental questions as to the constitution and government of industry, could normally be taken for granted. To-day that assumption is possible only to the very short-sighted. For it has become evident that in some industries, at least, quite apart from such deficiencies of organisation as were revealed by inquiry into the coal industry, a radical change in their constitution and government is a condition of the effective working of the human beings upon whom all economic efficiency ultimately depends.

The evidence upon that point naturally cannot be reduced to figures. It is a matter of weighing the present condition of various industries, and judgments will naturally differ as to the result. But the testimony comes, not only from one school of thought, but from witnesses who cannot reasonably be suspected of bias. When the committee of employers and workers which produced the Foster Report on the building trade investigated the alleged restriction of output, the principal causes of it to which they called attention were the dislike of unlimited profit-making, the fear of unemployment, and the absence of responsibility on the part of the worker for the conduct of the industry. When Mr. Justice Sankey analysed conditions in the mining industry, the point which he emphasised most in his first report was the waste of human capacity arising from its autocratic government. Differing, as they did, in their other proposals, both the majority and the minority of the German Commission on the socialisation of coal mines agreed that the first condition of the efficient conduct of the industry is what they call "democracy in the works." The perpetual complaints of employers that machinery is not used to its full capacity would appear to point to the same fact—that industry is at present working

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against the grain—though they do not in my judgment usually offer a valid explanation of it.

In every case the candid inquirer, even if he starts by assuming the existing relationship between capitalist, management, worker, and general public, and inquiring only how industry can be conducted most efficiently on the basis of it, is driven in his search for causes to a reconsideration of the character and effects of that relationship itself. For this reason changes which used to be urged for social or humanitarian reasons, and to be resisted on grounds of industrial efficiency, are now finding in considerations of industrial efficiency one of the main arguments to support them. It almost appears as though in some industries the pre-war organisation had run down and could not deliver the goods. For the truth is that the conditions of industrial efficiency have for some time been undergoing a change. The industrial absolutism—the concentration of economic authority—which was the creation in most industries of the last century, and which was supposed to be the guarantee of effective production, is in certain industries to-day conspicuously breaking down. Always inhuman, it is ceasing to possess even the qualities of its defects. It is failing in the very sphere of economic effectiveness which was the criterion of its own selection. And the weaknesses which could be ignored in a time of comparative prosperity, reveal themselves with irresistible plainness when the nation is crying out for houses and the world for coal. It is not an accident that the most drastic schemes of industrial reorganisation should have been advanced in those two industries the products of which are most urgently needed at the present time.

The main causes of that breakdown are two. On the one hand, the absolutism which was the rule during the nineteenth century has been circumscribed by trade unionism and by legislation, which, in extracting some of

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its social vices, have also extracted some of its economic virtues. On the other hand, it meets an increasing body of revolt arising from scepticism both as to its moral reasonableness and as to its professional competence. The result in some industries, where the process has gone furthest, as in coal mining, is something like a paralysis arising from a balance of power. In such circumstances to preach increased output, while refusing to consider the psychological obstacles which hinder it, is to ignore the very centre and heart of the problem, and to assume the permanence of precisely those human relationships in which increased output finds its greatest impediment. If on the credit side of our existing industrial organisation must be set elasticity, initiative, and enterprise, on the debit side must be placed the growing load of ill-will by which they are accompanied.

The scientific spirit required that all preconceptions as to the permanence of this or that legal or economic arrangement should be discarded, and that all factors should be taken into account. Any organisation of industry will work only in so far as men will work it, and serious students will treat that increasing repugnance to the government of industry by the agents of shareholders for the profit of shareholders as one of the fundamental factors with which any scheme of industrial organisation must reckon. They will refrain, therefore, from repeating the appeal to motives which are plainly ceasing to move, and from sighing, with some respectable and intelligent business men, for the one Utopia which can never be realised—the restoration of the golden age of the 'sixties and 'seventies, when workmen were docile and confiding, and trade unionism was still half illegal, and prices were rising a little and not rising too much, and foreign competition meant British competition in foreign countries. They will recognise that the transi-

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tion to a different type of industrial government will be difficult, that it will involve time and experiment, and that a considerable number of industries are not yet ripe for it. But they will reflect that the single greatest economic loss incidental to industry to-day is the failure of its existing organisation to win the confidence of the mass of workers on whom its success depends, and that, if it is important to increase the output of wealth, it is not a paradox, but the statement of an elementary economic truism, to say that a change which evolved cordial and constructive co-operation on their part would do more to produce that result than the discovery of a new coal-field or a generation of scientific invention. They will be the more anxious on that account to hasten the necessary changes in those industries which are ready for them, and to use the experience to be derived from them as a basis for future developments.

Such changes to be effective must deal with the real roots of industrial *malaise*, and not merely be a device for concealing it beneath elegant phrases. They may proceed slowly—indeed they can hardly help doing so—but unless they are to disturb everything and settle nothing, they must start at the right point and proceed in the right direction. Nor do I think that any one who will make a broad survey of industrial movements in his own and other countries can feel much doubt as to what those points are, however fully he may appreciate the difficulty of dealing with them. On the one hand, there is the question of the purpose for which industry is carried on, of its relation to the consumer, of its function, which involves the whole question of the disposal of any surplus which arises when all costs have been met. On the other hand, there is the question of the internal organisation of an industry, of the relation between the different groups engaged in it, and in particular, of the point in which

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authority and responsibility for the conduct of industry is to reside. At the present time, under the joint-stock organisation which is normal in all the great industries except agriculture and building, production is organised by the agents of the owners of capital for the pecuniary gain of the owners of capital. It is successful if the return to them in dividends is considerable. It is a failure if it is not. The ownership of industrial capital carries with it, broadly speaking, three rights, the right to interest, the right to residuary profits (if any), and the right to control. The considerations which make the two last the storm centre of the industrial situation are familiar, and I need not elaborate them. Capital is an instrument the function of which is to assist the labour of human beings, as a man uses a bicycle to enable him to get more quickly to his work. A price must be paid for it, which is interest, because it cannot be got without it. But when the owner is paid its price, he has been paid his due, and any surplus which he receives is waste. Again, labour consists of persons, capital consists of things. Things should be employed in the service of persons, not persons in the service of the owner of things. The centre of authority in industry, therefore, should not be the owners of capital or their agents, but the working *personnel*.

I make no comment on these opinions ; nor, of course, are they novel. . What is novel is the elaboration in great detail, by public or semi-public bodies, and with argument and counter-argument, of the policies needed to give effect to them. But I do not think any one can doubt that it is on these two points that the industrial struggles of the coming generation will turn. Proposals for securing industrial peace, which ignore them, may, like the Whitley policy, be harmless, well-intentioned, and even useful in detail. But they alter little, for they assume precisely the

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continuance of these relationships which are at present at issue. The most alarming failure in the industrial situation is in my opinion the apparently invincible repugnance of many of those who direct industry to realise that what is now under criticism is not merely the incidental evils of industrial life, but the whole system of organisation which enables a few hundred thousand men to direct the labour of the remainder of the population for their own pecuniary gain and self-aggrandisement. The development of industry, the spread of education, and the growth of Trade Unionism appear to me to have brought us to a point at which, at any rate in certain industries, the mass of workers are not prepared to give their best to any system under which the residuary profits of their industry pass to functionless shareholders, and the authority which determines industrial policy consists of the agents of property-owners to the exclusion both of the consumer and the working *personnel*. When, as in the coal industry, that point has been reached, the refusal to face these issues results in a kind of industrial paralysis, of which the principal victim is the general public. The course of wisdom for the consumer appears to me to be to accept this attitude, in so far as it is established, as a fact, and to consider the methods by which the transition to the new type of industrial government can be brought about in those industries which are ready for it.

There are in theory four ways by which the control of industry and of residuary profits by the agents of property may be ended, and in the course of the last year all of them have been brought before the public. They may abdicate. They may be frozen out by action on the part of the working *personnel* of industry, which itself undertakes such functions, if any, as they have performed. Their interest may be limited or attenu-

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ated till they become mere *rentiers*, who receive a fixed payment, analogous to that of a debenture-holder, but receive no profits and bear no responsibility for the organisation of industry. They may be bought out. The first method is substantially that proposed by Mr. Malcolm Sparkes in his interesting memorandum on the reorganisation of the building industry, which proposes that firms should voluntarily transfer their capital to a new building guild. So far as I know, it has never occurred in the past, except possibly in the case of owners of land in a period of social upheaval. The second is that contemplated, if I understand rightly, by the builders' guild now in process of formation in Manchester and elsewhere. The third is that proposed by the Foster Committee which reported last August, which proposed that employers in the building trade should be paid a fixed, and, in the case of firms certified to be efficient, a guaranteed, rate of interest on their capital, but that all surplus profits should be paid to and administered by a central body representing workers and employers—employers *qua* managers, not *qua* capitalists. The fourth is familiar. It has repeatedly been practised by municipalities, less often by national governments, and has recently been the basis of the programmes of the Miners' Federation and of the National Union of Railwaymen.

Assuming that certain industries have reached a point where their government by the agents of those who own capital in them is (apart from other considerations) no longer compatible with economic efficiency, which of these methods is most suitable will depend upon the character and circumstances of each particular industry. When comparatively little capital is required, it is feasible for a body of workers, provided they include the whole *personnel*, to assume functions and responsibilities now discharged by the

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employer. Where the employer is, as a general rule, both capitalist and manager, his hold on the industry as a capitalist can, as under the Foster scheme, be attenuated, while he still retains his position as one worker among others, an industrial administrator. But, as far as most of the more important industries are concerned, both these conditions are exceptional. They are normally conducted by salaried managers responsible, in the last resort, to the owners of capital, and though managing directors may own capital in the business, the greater part of it tends to be held not by any of the working *personnel* but by absentee shareholders. In such circumstances, none of the first three courses offers any solution. The *personnel* of the industry is helpless without the capital, which they cannot provide themselves. The shareholder who owns the capital obviously cannot be worked—as the Foster Committee proposed for the master builder—into an organisation of industry under which administration is vested in a body representing all grades of producers, or producer and consumer together, for he has no purpose in common with them. When the Mining Association, through Lord Gainford, their chief witness, told the Coal Commission that “if the owners are not to be left complete executive control, they will decline to accept the responsibility for carrying on the industry,” they blew away in a sentence the whole body of plausible make-believe which rests on the assumption that, while private ownership remains unaltered, industrial harmony can be produced by the magic formula of joint control. In my judgment they were right. When large capital is employed, as in mining, which is in the hands of a body of numerous shareholders, the alteration of the government of the industry by a movement from within, which appears possible in a trade like building, becomes impracticable. Either the proprietary

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rights must remain as they are, which means, if the view I take of present tendencies is correct, that certain industries will run down and produce at less than their full capacity; or they must be removed by intervention from without, by being bought out simultaneously. In that case, what the shareholder receives is a fixed income which is in the nature of a first charge on the industry. What he surrenders is the right to profits, including any increment which may take place through the future development of the industry, and the right to control.

The name consecrated by tradition to that process is Nationalisation. But it is an unfortunate one. It is unfortunate, because it covers under one ambiguous word two problems which are quite distinct. The first is the question of ownership. The second is the question of administration. In most discussions of the subject these two questions are confused, sometimes deliberately, more often merely as a result of confused thinking. Opponents of nationalisation burn the midnight oil in proving that management by State servants is necessarily inefficient, and presumably tremble with apprehension when they drop their demonstrations into the pillar-box. Its advocates reply that it is efficient, and praise God whenever they use a telephone. These controversies are ingenious, eloquent, and sometimes even amusing. But they are beside the point. Nationalisation merely means the transference of property in an industry to a body acting on behalf of the nation. It is not an end, but a means to an end, and when the question of ownership has been settled the question of administration remains for separate solution.

That solution may take any one of half-a-dozen different forms. The system of organisation set up may be centralised or decentralised. It may vest control in the hands of State servants or in the hands of

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members of the professional organisations of the industry concerned, or in both, in several different proportions. It may give the consumers of the service a predominant place on the bodies governing the industry, or it may give it to the producers, or it may secure that they are represented equally. It may make the industry financially self-contained, or it may place it on the same footing as the departments of State which are under Treasury control. It may rely on civil servants, trained, recruited, and promoted in the ordinary manner ; or it may create a new type of public service with rules of its own. To discuss the economic merits or demerits of public ownership, until one knows what particular system of administration it is proposed to establish, is therefore mere waste of time ; and one may test the competence of writers on the subject by observing whether they recognise that truism. In the majority of cases they do not. Normally, as far as my experience goes, they are equipped with an arsenal of catch-words—bureaucracy, centralisation, red tape—which are used apparently on the assumption that the organisation and management of any nationalised industry must for some mysterious reasons be identical with that of the Post Office. Serious students, whatever their own bias, will recognise that this kind of argument ends just where the real problem begins. I have no grievance against the Post Office, though doubtless, like most human institutions, public and private alike, it could be considerably improved. But to assume that the organisation of the Post Office must necessarily or probably be that of every other nationalised industry, is as reasonable as to assume that the organisation of the Imperial Tobacco Company or of the Meat Trust must be that of every industry which is in private hands.

The question whether the property in an industry should or should not be transferred to the public is

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a question of policy which can be settled without prejudice to the question of how the industry should, when in public hands, be governed. When the time has arrived—and it appears to me in some industries to be arriving very fast—when the mass of mankind are no longer disposed to take part in industry on the condition that its conduct is settled and its surpluses are taken by those who own capital in it, the extinction or attenuation of private ownership becomes a question of immediate practical moment. The buying out of proprietary rights is one way, though only one way, in which that change can be carried out. Whether it is expedient or not cannot be decided by reference to the deficiencies, real or alleged, of civil service management, for civil service management is not a necessary corollary of public ownership. Nationalisation is, in fact, the beginning of a process, not the end of it. Arguments against bureaucratic administration are no more valid against public ownership than arguments against the deficiencies of (say) the L. & Y. Railway are valid against private enterprise. If they are sound—and I think they often are—what they prove is not the undesirability of nationalisation, but the desirability of avoiding the evils of over-centralisation, red tape, and officialdom, which are neither confined to public administration, nor, if care is given to organise the service so as to avoid them, a necessary concomitant of it.

—The beginning of wisdom in the discussion of nationalisation is then, I suggest, to keep the question of ownership distinct from the question of the form of administration which should be adopted. The former may become desirable for one of half-a-dozen reasons, because the industry is a monopoly, because (like the manufacture of armaments and sale of drink) it is too dangerous to be left in private hands, because unification is a condition of efficiency and unification

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in private hands is a menace to the consumer, because private ownership no longer elicits efficient work. The latter will be no more uniform in type than the organisation obtaining to-day is uniform. Under public ownership, as under private ownership, the type of government and constitution will necessarily vary according to the character of the industry which is being considered. It will depend on whether the industry is local or national, whether it supplies the consumer direct or manufactures intermediate goods, whether the capital used is large or small. To draft a constitution for an industry necessarily involves, therefore, a considerable degree of specialised knowledge, and cannot usefully be done in the air. But a working model is more instructive than general statements, and perhaps I may be allowed to conclude by taking as a concrete example the problems which emerged in considering the organisation of the coal industry and the measures by which it was attempted to meet them.

Into the causes which led Mr. Justice Sankey and the majority of the commissioners to recommend the nationalisation of the coal industry, I will not enter. The evidence has been printed. Any one can read it and judge for himself. I will only say that it appeared to me that three broad lines of argument made any other conclusion very difficult. The first was the evidence as to the financial wastefulness of private ownership offered by Sir Arthur Lowes Dickinson. He produced figures proving that the cost of getting coal in a given quarter varied from 12s. 6d. to 48s. per ton, and the profits from nil to 16s. ; he pointed out that these differences were primarily due to differences in the accessibility of the coal, that every advance in price increased the surplus received by the shareholders in the better mines, and that if that surplus were pooled, prices could be reduced. The second

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was the evidence as to the technical wastefulness of the separate ownership of 3000 pits by 1500 companies, and of the present system of distributing coal. The third was the fact that, the psychology of the men being what it is, there is no probability of the service as at present organised being conducted as efficiently as it might be if the working *personnel* of the industry shared with representatives of the public responsibility for its success.

Given those reasons for the change in the government of the industry, the obvious questions were two. *First*: is there an alternative to public ownership preferable both to it and to the present system? *Second*: if not, what type of organisation is most likely to make public ownership a success? The alternative which was worked out in greatest detail was that advanced by Sir Arthur Duckham. Broadly speaking, it was that in each area all existing interests should be bought out and transferred to a statutory coal corporation or public utility company, which should be governed by seven directors (four representing the owners of capital, two the workmen, and one the managers), which should be guaranteed 4 per cent by the State and limited to 6 per cent, and which the State should (if called on too often to make good its guarantee) have a right to buy out. The proposal has some merits: in claiming to base its proposals upon it the Government took care to avoid including them. It was open, in my opinion, to two very serious objections. *First*: what it proposed was the creation in each area of a publicly regulated coal monopoly. There is a considerable volume of experience as to the regulation of monopolies by external intervention. On the whole, I think, it is unfavourable. Once these leviathans are established, the intermittent supervision of the State is apt to be defeated by the continuous pressure which they can

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exercise. *Second*: the proposal did not touch what was the crux of the present crisis, the relations of the mine-workers to the owners. They would still be the servants of private shareholders. A third party would still intervene between them and the public. In such circumstances there is no reason to expect that the difficulties which at present distract the industry would be mitigated.

Putting that alternative on one side, the question remained whether it was possible to organise the industry under public ownership in a way which should avoid the criticisms of over-centralisation, bureaucracy, red tape, procrastination, and irresponsibility, brought against the public servant and his ways. The dangers which have been elaborated by eloquent, if somewhat naïf, critics for the last six months are the most elementary commonplaces of the subject, and the necessity of avoiding them is the first consideration which occurs to any one who is concerned in drafting a scheme of administration. All of them *may* be embodied in it—none of them *need* be. It is a question of organisation.

There was general agreement among the majority of the commissioners upon five points :—

- (1) Administration must be decentralised. The critics of nationalisation still speak as though every industry which passed into public ownership must necessarily be administered by a potentate in Whitehall. Presumably they will continue to do so. Whether anything of the kind has been proposed for any other industry I do not know. As far as the coal industry is concerned, what is contemplated is the precise opposite. Broadly speaking, it is that there should be an authority—a District Council—for each coalfield ; and that this authority

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should be responsible for the working, organisation, equipment, and development of mines in its area. The relations of the central department to it would be that the Ministry of Mines would demand a certain quota of coal by way of output and lay down those rules which must be national in scope, but otherwise leave upon the shoulders of the District Council the responsibility for success. The constitution proposed is, in short, not "Unitary," but "Federal." If any one supposes that a board of business men and coal-miners in Durham will collapse on the receipt of a letter from Whitehall, they know very little either of the nature of their countrymen or of our present system of public administration.

- (2) The official side of the service must not be organised on the lines of the existing Civil Service. The Civil Service, in my opinion, does its work, on the whole, well. But it has not been trained or organised for the administration of industry. For that it is necessary to recruit a different type of man, and to give him a different training and conditions of employment. That is perfectly feasible. In the last fifty years the Civil Service has changed profoundly. There is no reason why, for different work, it should not be changed again.
- (3) There must be no Treasury control. Treasury control is meant to secure that money voted by Parliament is spent in the way which Parliament intended. It is therefore out of place when dealing with a reproductive service.
- (4) There must be complete publicity as to costs, including all the items composing them, and profits. But this I need not emphasise, since,

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it ought to be the rule in all industry, private and public alike. Unless this is the case, the consumer cannot tell whether prices are reasonable, and industrial disagreements are necessarily battles in the dark. The careful secrecy in which the operation of most industries is now invested is morally indefensible and economically mischievous.

- (5) The bodies administering the industry must be composed to a substantial extent of representatives of the mine-workers. That is crucial. The vice of the present situation is twofold. The mine-worker has no effective control over the conditions on which his own comfort and well-being depend. He is not in a position to make any positive contributions to the progress and improvement of the industry. He ought to be able to do both. That means that he must have responsibility. And if he is to have real responsibility, he must also have real power. It is, indeed, precisely in the degree to which the professional organisation of the workers in an industry is made a partner with the community in its conduct, that the character of the service is likely to be maintained. "Does a municipal gas-stoker," it is sometimes asked, "work harder because he works for the public and not for a private employer?" Probably not. At least it would surprise me if he did. What I should expect is that if the gas-workers' organisation were represented on the body conducting the industry, it would be able both to assist in policy and to maintain the obligation of effective work—if it became necessary to do so—among its members. At the same time there must be due provision for the representation of household and industrial

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consumers of coal, and of the State. The question in what proportion these various interests should be represented, and whether there should be a separate coal consumers' council, is important; but, once the principle is accepted, it does not present any very great difficulties.

It would be unreasonable, of course, to expect that controversialists should burn their literature when it is no longer relevant, and I have some sympathy with those who, having based their opposition to public ownership on over-centralisation and bureaucracy, find that it is decentralised and not bureaucratic at all. But I submit that if on other grounds the public ownership of coal-mining and certain other great industries is desirable, then the schemes advanced by Mr. Justice Sankey and by the Miners' Federation show that it need not be accompanied by the peculiar disadvantages which it is usual to ascribe to it.

To say that, however, is seriously to understate the case. The principal industrial question of the immediate future appears to me to be whether in certain great industries a transition can be effected to an organisation under which the working *personnel* will serve the public direct, not as now, at one remove, and will bear a genuine collective responsibility for the quality of the service in which they are engaged. That transition was formerly urged on humanitarian grounds. To-day it appears to be, apart from such considerations, the new condition of efficiency. For as I read the situation, the type of industrial organisation which was characteristic of the last half of the nineteenth century has passed its prime. The discipline on which it relied to secure efficiency depended in the last resort on the ability of the management to enforce its will by the threat of dismissal, which meant,

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in effect, however unpleasant it may be to admit it, by an appeal to hunger and fear. That discipline is possible to-day no longer, and will be less possible in the future, because the psychological conditions—ignorance, credulity, diffidence, passive acquiescence—which made it possible fifty years ago have disappeared. The alternative to the discipline imposed from above is the discipline of professional pride and responsibility—that the workers in an industry should themselves maintain through the action of their own organisations the quality of the service. It is impossible for working-class organisations to play that positive and constructive part in industry so long as it is conducted primarily for the pecuniary gain of those who own property in it, and under a management which is responsible to them alone. As long as that type of organisation obtains, they are necessarily defensive associations—an opposition which never bears the responsibility of government, and so long, it is to be anticipated, the *malaise* by which industry is harassed to-day will continue. Contrary to opinions often expressed, it is not a result of the war, but was conspicuous before it, in the years from 1910 to 1914. It shows no sign of diminishing. In certain great industries—mining, railway transport, and building—the future progress and improvement of the industry has been definitely stated by the workers themselves and by outside observers to be a change in the constitution which will bring them into a relation of direct professional responsibility to the public.

It is probable, therefore, that it will be necessary for the public to choose between the type of industrial government to which it has become accustomed, and the changes which are necessary to secure economic progress. It is of vital importance that all who are in touch with industry should put aside preconceptions and should approach the subject with

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an open mind. Without them, the problem may well prove insoluble. With the aid of their practical experience it may be practicable to effect a transition which will lift our whole industrial and social life onto a higher plane.

Finance and Industry

BY SIR D. DRUMMOND FRASER, K.B.E., M.COM.

HONORARY LECTURER IN PRACTICAL BANKING, UNIVERSITY OF MANCHESTER

A LECTURE GIVEN ON TUESDAY, FEBRUARY 24, 1920

WHEN the war broke out it was universally assumed that the creation of credit and currency was a financial necessity. To-day the creation of credit and currency is represented by swollen bank deposits and currency notes against Government securities.

The Currency Report has given us the classic illustration of the creation of credit. Suppose, for example, that in any given week the Government require money over and above the receipts from taxation and loans from the people, they apply for Ways and Means Advances from the Bank of England. In effect this, by a book entry, increases the deposits on the one hand, and the securities on the other hand, of the weekly figures of the Bank of England. As the Government cheques are drawn out and paid to contractors there is a transfer of the deposits in the Bank of England to the deposits of the other banks, which in turn increases the purchasing power of the people. This must be met by the reduction of the consumption of goods and services in the future ; whereas if the money had been borrowed from the people direct, it would have been met by reduction of the consumption of goods and services in the present. To the immense advantage of every one in the country in normal times, before the war, such a situation would have compelled the Bank of England to raise its rate

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of interest to check this creation of credit. Since the outbreak of war, this check has been removed by the unlimited creation of currency against Government securities. Fortunately, day-by-day borrowing has shown us how to prevent the continuation of this manufacture of paper money.

The obligation on those who possess bank deposits and too many currency notes is of paramount importance. The swollen bank deposits and currency notes have added to the purchasing power of those who possess them to the disadvantage of the people as a whole. The inevitable consequence has been the transfer of large sums of manufactured paper money to people whose incomes have increased to the detriment of other people whose incomes have not increased in proportion to the general rise in prices. Thus the people who have acquired war wealth by no merit of their own ought to subscribe to the utmost of their power to enable the Government to transfer securities now held against created credit and currency to securities held by the people direct. The sooner individuals undertake that which is only their patriotic duty, the sooner will normal conditions prevail, and the great problem of rising prices be tackled in earnest.

To-day we have a floating debt of Treasury Bills and Ways and Means Advances of 1200 million pounds. The real significance of these figures lies in the fact that they are the same as three years ago (1917). To absorb this floating debt we must produce more and save more. The lowest total of Treasury Bills last year was 629 million pounds on the same day as the Ways and Means advances were at their highest total of 932 million pounds. The actual average turnover of this floating debt for the last three years is not less than 4000 million pounds a year.

In 1918 day-by-day borrowing was made effective by the adjustment of interest allowed on Treasury

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Bills, on Bonds, and on foreign money, and there was an actual saving, on the estimate for interest alone in one year, of 20 million pounds. To-day the increased interest allowed on Treasury Bills is equal to an increased interest charge of 20 million pounds in one year. The essential financial action is to get rid of this floating debt by another form of debt held by the people. There appeared to be no limit to the creation of credit and currency until the Government appeal for borrowed money was made to the people direct.

The appeal adopted was that of a continuous loan which gave equality of opportunity of investment, decentralisation, and the evoking of local patriotism. The principal of the money borrowed on bonds was guaranteed. This was an immense advantage both to the small investor and to the business man, as it secured them from all risk of loss of principal. This security of principal is one of the strongest recommendations of the bond on tap. When this threefold appeal was made the whole of the home money borrowed was obtained from the people. This meant that the people would be taxed for interest and for sinking fund to repay their own money ; whereas the money obtained from created credit and currency as a factor in the rise in prices is equivalent to the most insidious form of forced taxation, and, moreover, the people must also be taxed to find the revenue to pay the interest on the created credit and currency, leaving the actual debt outstanding. Therefore this created credit and currency must be replaced by common-sense finance, which checks the rise in prices by automatically reducing the spending power of the people.

In August 1918 the country celebrated the raising of the first one thousand million pounds in Bonds. The sudden withdrawal of these Bonds a year ago effectually prevented the country from celebrating the raising of the second thousand million pounds.

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Although the fourth series of Bonds was actually raising a substantial weekly amount, the Bonds were withdrawn along with the Treasury Bills when the Victory Loan was launched. The main object of the Victory Loan was to raise the new money required, plus money to repay Treasury Bills and Ways and Means Advances. The day the lists were closed Treasury Bills were again placed on tap. One may well ask why not place Bonds on tap as well? If the rest of the country had raised per head of the population as much as Manchester did, the whole of the Treasury Bills and Ways and Means Advances would have been replaced by the money subscribed for the loan.

A bond on tap induces small investors and others to check spending by accumulating genuine savings in Government securities. We have a striking example of this fact in the moderate increased percentage in the deposits of the Post Office and Trustee Savings Banks (1918 over 1913). This was due to the Savings Certificates, which attracted the money of the class who habitually used the Savings Banks. There can be no doubt that a bond would have checked the immoderate increase in bank deposits (1918 over 1913). Thus the rise in prices would have been checked because of the transfer of the purchasing power of the individual to the Government.

The transfer of the people's surplus money into a Government security on tap would have a reflex action. It would not only gradually reduce the swollen deposits, but automatically reduce the swollen currency notes. In other words, one would set in motion a healthy gradual deflation of the inflated credit and currency. The reluctance to give the people the opportunity to buy a bond on tap has shown a lack of vision and a want of courage.

In 1914 I suggested that the Government should adopt the banking principle of borrowing day by day

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directly from the people in a simple and popular form of bond, and I have since then consistently pressed this on every possible occasion.

In the national interest it is of the utmost importance that borrowed money should be found out of the genuine savings. The banker's real function is to be the custodian of the people's surplus cash—deposits (60 per cent of which is employed by the banker to liquefy the people's "quick assets")—which fructifies wealth. The bankers should only finance the Government temporarily in anticipation of revenue and loans taken up by the people.

To the timid banker who sees a dangerous competitor in the Government borrowing on bonds to replace the created credit and currency, I would say that the bank figures prove that the competition does not reduce the flow of money into deposits. It is a well-known fact in banking circles that the bank deposits at June 1918 over those of December 1917 showed a moderate increase. This was due to the fact that the revenue—462 million pounds—plus the receipts from National Bonds and Savings Certificates—703 million pounds—provided all the home money required to meet the expenditure for this six calendar months. There can be no doubt that the success of the issue of National War Bonds saved this country from the creation of credit and currency of double the amount actually created and its concomitant further increase in prices. I would remind the banker that since the banks have taken their branches to the homes of the people, the deposits in normal times during the present generation have increased 200 per cent. I would further remind him that the business of the country is conducted with an incredible smoothness through the bankers' clearing houses by means of the crossed cheques, the daily average number of which exceeds one million. It is

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estimated that each cheque costs the banker one-third of a penny. Our banking machine is the "automatic and costless" distributor of the people's surplus money. The cheque is of vital consequence. It readily adapts itself to the needs of the commercial community. It was Gladstone who first freed the cheque from its legal disabilities, and reduced the stamp duty to one penny. He was warned by the timid banker of his day that he was placing a very dangerous weapon in the hands of the people.

The municipal corporations for a quarter of a century have educated the people with undoubted success in the banking principle of borrowing money day by day direct from the people, for short periods, at a fixed rate of interest. If the bankers, brokers, and others will act for the Bank of England on behalf of the Government in receiving applications for the bonds on tap repayable at short dates without loss of principal, the Government can obtain all the money required to meet maturing obligations from year to year. And at last the powers that be have timidly given the opportunity to do so. I refer to the present issue of Exchequer Bonds for a limited period. Why not place a bond on tap continuously until the whole of the floating debt is "assimilated" by the people? To-day a weekly reduction in Treasury Bills means a weekly increase in Ways and Means Advances, the most vicious form of inflation.

Immediately after the beginning of the war widespread unemployment was feared. The Government sympathised with the cry "business as usual," and each person encouraged the other to spend as much as usual. It has long since been realised that the colossal daily war expenditure of the Government made it essential that each individual should altruistically encourage his neighbour to cut down all unnecessary personal expenditure in order to buy Government securities.

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A simple form of bond would draw every man, woman, and child in the United Kingdom into the net as holders of the National Debt according to their ability to save. And the interest and sinking fund would be found by taxation, according to their ability to pay.

The undoubted success of continuous day-by-day borrowing has forced the Government to alter its financial methods. In fact, one may go so far as to say that the grinding methodical pressure of continuous day-by-day borrowing combined with a daily Press Publicity is a more potent factor than the sudden firework display of a spectacular long-dated loan. The daily character of the borrowing enables the monetary machine to work with the utmost smoothness, whereas a spectacular loan causes kaleidoscopic movements which strain the monetary machine.

I believe the slowness of the people in assimilating the spirit of war savings was due to the slowness of the Government in providing a money-box in the shape of a popular bond to suit every kind of pocket. This lack was in 1916 supplied by the National Savings Committee, whose primary duty was the propaganda work in connection with the formation of War Savings Associations to bring home to the people the Gospel of goods and services. This had the striking result that bonds and saving certificates sold over the counter day by day raised 33 per cent of the total receipts of the home money borrowed in one-third of the war period.

Before the war there were only three hundred thousand holders of Government securities. To-day there are nearly seventeen million. I do not go too far, I believe, in saying that a new stability for borrowing for additional credit facilities has definitely been established by the continuous loan on the bond system. This system has proved beyond all manner of doubt to have tapped sources of wealth that so far

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no other form of borrowing has ever touched. To use the Prime Minister's last general election phrase, "It is one of the finest financial achievements in the history of this country."

I have taken my title in its broadest sense, *i.e.* we are dealing with money, "the blood of our economic body." Our object, therefore, is to provide the machinery to borrow money from people, trades, and places that do not at the moment require it, in order that we may lend it to people, trades, and places that do require it. Financial facilities are required in addition to banking accommodation. These financial facilities simply mean "money." The soundness of continuous borrowing depends upon the constant application of money for productive enterprise, which necessitates a borrower, such as a banker, holding a substantial percentage of the money borrowed in a liquid form, to meet daily requirements, and necessitates a borrower, such as a municipality, providing a sinking fund to assure the repayment of the money borrowed. The money must circulate freely. The greatest banking contribution to this free circulation of money has been the introduction of the cheque for home currency, which renders an enormous money economy in money. For instance, thirty years ago the money accumulated in our banks—deposits—only represented £10 per head, whereas to-day, exclusive of created deposits against Government securities, it represents £30 per head. One would like to see a cheque free from stamp duty altogether, because that would still further economise our money by increasing the people's surplus cash in bank deposits, and thus enable the banks to increase the accommodation to traders and others. The increased use of currency notes in consequence of the twopenny stamp on cheques has, I think, been responsible for an extensive evasion of income tax. There can be little doubt the loss of revenue on this

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score is substantially greater than any additional revenue from the extra stamp duty on cheques. Why the bankers were not unanimous in condemning the proposal to increase the stamp duty is one of the mysteries the future may solve.

One could, of course, give many illustrations to show the importance of garnering the small money. I shall give you three illustrations.

Take the Post Office banks. When the limit of the amount that one could deposit in one year was raised from £30 to £50 the amount deposited in a few years was more than doubled. Take the loans of the Municipal Corporations. The bulk of the individual holdings is small, and yet in twenty years they have raised a sum of money equal to the advances made by the banks. Take our Permanent Investments. These are the issues managed by our stockbrokers. For some years they have consistently advocated the reduction of the nominal amount per share in order to attract the money of the small investor, with the result that instead of hundreds of thousands of investors there are now millions.

The practical result of an effective system of day-by-day borrowing has created a constant flow of money into three great financial reservoirs :

Bank deposits.

Government securities.

Stock Exchange investments.

From the statistics that I have prepared from time to time, I believe that the small money represented 30 per cent of the total of bank deposits before the war. And the small money in the continuous Government borrowing is not less than 15 per cent of the total of home money borrowed. I believe this could have been doubled. It is well known that the small money in Stock Exchange investments is a substantial

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proportion of the whole, and that redeemable stocks are the most attractive to investors.

The bank note issues gave birth to day-by-day borrowing by the banker—deposits—sixty years ago. The freedom from violent fluctuations, and the possible loss of one's financial equilibrium since then have more than justified the efficacy of our bank deposit system and cheque currency ; and I personally feel that economists have not yet even realised the supreme service rendered by the banker to our economic development in this respect. If the *genuine* savings of the people had been tapped throughout the period of the war by a Government security which appeals to the people, the creation of credit and currency would not have arisen.

In the 'nineties, when people no longer readily subscribed for municipal stock, the municipalities followed the lead given by the bankers, and adopted the simple plan of borrowing direct from the people for short periods at a fixed rate of interest. Well do I remember the adoption of the banking system by the municipalities. It was ushered in, in spite of forceful opposition that it was not sound finance, because the money was repayable in a short period and there were no liquid funds to meet this repayment. The money, as you know, was locked up in the tramways, electricity, water and sewerage works. The immense success of this continuous borrowing, *with an effective sinking fund*, has proved that these fears were groundless, and that the short-term loans of our municipalities must be reckoned among the first rank of our gilt-edged home investments.

I should tell you that this money is borrowed by the municipalities in small sums and multiples thereof for a short period of years. The greatest ingenuity and elasticity are used in meeting the needs of the people. The whole business is conducted on bank-

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ing lines. The attraction to the investor is obvious—the safety is unquestionable. The interest is fair. The money is repayable without any loss, and the investment is always saleable or acceptable for the bankers' advance. The procedure is of the simplest character and free from red-tape restrictions. The advantages to the municipalities are no less pronounced. They get the money as they require it, and perhaps on better terms than if they arranged a big issue of stock.

In Manchester we are particularly fortunate in having representative banks who are setting in motion the solution of the financial problems of the future. I need scarcely remind you that in addition to powerful local banks there are branches of the five big London banks and branches of several overseas banks. There are forceful new movements in our banks which will enable them to grapple with the finance of almost every commercial activity. We now have banks opening branches in foreign business centres. This new movement has been made in order to facilitate the overseas business of this country with the countries where those branches are established. On the other hand, we have banks which, instead of opening branches abroad, have agencies all over the world, with a representative in some of these agencies. This new movement is designed to help the importer and exporter, who will now have the advantage of having his financial interests looked after by a man on the spot. Then we have the overseas banks with representatives in our banks. This is also a new departure, which is calculated to give additional facilities by personal knowledge of the needs of various markets abroad. We now have banks which have the controlling interest of overseas banks. This new departure is calculated to increase the opportunities of these overseas banks in rendering credit facilities here.

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Then we have another new bank movement, namely, the foundation by our banks of banks in allied countries. This is expected to extend our commercial enterprises greatly in these countries. Then we have banks increasing their capital. This is in order to enable them to give extended credit. We further have banks ready to undertake the responsibility of the issue of capital. This is calculated to inspire investors to subscribe the necessary capital. We have also established a British overseas bank and a British trade corporation in which our banks are interested, financially and directorially. These will, it is hoped, stimulate activities abroad.

Finally, I may say that our overseas banks have formed an oversea association. This is a combination of British oversea banks with ramifications all over the world. British oversea banks have already exerted in the aggregate a far greater influence than the German daughter banks abroad. To-day it is too early to say which of these new methods with which individual banks have identified themselves is the most likely to be acceptable to the trading public.

The balance-sheets for 1919 show that the British home banks have already given a substantial increase of banking accommodation and that they can continue to do so. If this banking accommodation is used for productive enterprise, one will find a gradual deflation of the swollen bank deposits caused by the Government borrowing from the banks instead of direct from the people, because the prosperity induced will bring in buyers of Government securities now held by the banks directly and indirectly.

Personally, I feel that none of these methods taps the sources of wealth which have been tapped during the war on the continuous borrowing system. That is why I have already ventured to suggest a Manchester Credit Association which could tap money for a short

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term of years at a fixed rate of interest, repayment to be made by the provision of an annual sinking fund out of income. This plan would gather the money for capital requirements of traders pending, where necessary, the public issue of capital. We are familiar with this system in Lancashire in connection with the Local Authorities, Mersey Dock and Harbour Board, and cotton mills. It is obvious that if such a system can be successfully adopted by these individual cases, it follows that a well-organised Manchester Credit Association could adopt it with equal success.

A continuation of this sound principle merely means that the money for capital requirements is raised from the genuine savings of the people, and not by the creation of credit. Every pound invested is a pound saved somewhere.

A Manchester Credit Association set out to borrow money for a short period of years could raise, I believe, all the money required by traders and others over and above the ordinary banking accommodation. In this district during the twenty-five years previous to the war a greater sum of money has been borrowed by this means direct from the people by Local Authorities, Mersey Dock and Harbour Board, cotton mills, etc., than the amount borrowed by the local banks, *i.e.* deposits. Yet, in spite of this competition, the percentage in the increase of deposits of the local banks during this period was double the percentage of the increase in deposits of the banks of the United Kingdom. Just as the deposits have been used by the banks to lubricate the wheels of commerce (so far as banking accommodation can do it), so can the money borrowed on the plan I am suggesting be used for the extended financial facilities required for the "after war" problems. The safety of these advances is beyond question and the gradual repayment is assured. Every advance for productive enterprise is repaid

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within the period of the sinking fund, and therefore leaves both the capital of the lender and the security of the borrower undiminished.

The Manchester Corporation has borrowed on this principle on the average over one million pounds a year for the last half century. The Manchester Committee for National Savings has raised since 1916 over ten million pounds in savings certificates alone. If the rest of the country had raised the same proportion per head of population the Treasury receipts from savings certificates would have been doubled. One frequently sees the adoption of the principle by industrial concerns.

In an imaginary balance-sheet, over a term of years, of a Manchester Credit Association, on the liability side one would see the accumulation of money borrowed on this principle, showing on an average a yearly upward tendency, just as the deposits in our banks and savings banks do. On the assets side one would see the result of the primary purpose, a greater lending capacity for the encouragement and stimulation of home and oversea trade. The financial facilities granted would be of a more permanent nature than banking accommodation, which, theoretically, should not be employed beyond current requirements. This close link between the British investor on the one hand, and the British producer on the other, obviously gives a much greater elasticity in the facilities granted to traders, which stimulates and encourages trade. And yet, by localisation, the incalculable advantage of the personal element is preserved. This of necessity tends to increase production, and therefore the prosperity of the district.

I look ahead and see the financing of projects during the productive stage pending the issue of permanent capital. I see syndicates of all sorts financed ; the mortgage money found for our agriculturists ; the

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financing of the increased efficiency of the transport of our goods. In fact, when a "bond habit" becomes as universally established as the "cheque-book habit," I see no end to the organic economic possibilities of extended financial facilities, provided that the banking principle of day-by-day borrowing be adopted and a sinking fund provided for the repayment of the money borrowed.

The following charts are reprinted, by kind permission, from the *Journal* of the Institute of Bankers, London.

The chart on page 229, showing the Exchequer receipts for each calendar year from home money borrowed, illustrates the wonderful results of raising money by a Continuous Loan, accompanied by a daily Publicity Campaign. Bonds with Saving Certificates on tap—2700 million pounds—plus Treasury Bills on tap in 1916—700 million pounds—together with the proceeds of the 1917 loan—900 million pounds—raised over 70 per cent of the total receipts of home money borrowed on the principle of the continuous loan. The bulk of the money that was advanced by the banks to subscribers of the 1917 loan was repaid during the twelve months, thus making this particular spectacular loan of the nature of a continuous loan.

A comparison of the charts for 1916 and 1918 of the weekly Exchequer Receipts from the home money borrowed shows the remarkable result of the adjustment of interest allowed in 1918.

In the six charts on pp. 232-237 the curves of the deposits and the securities in the Bank of England weekly return show the dislocation caused by the creation of credit in connection with spectacular loans. They also show that, when the Government borrows day by day on securities that appeal to the people, these violent fluctuations are non-existent.

These charts tell their own tale. The upward

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movement in the two curves in 1914 was due to the courageous war emergency measures adopted by the present Prime Minister when Chancellor of the Exchequer. One of these measures allowed credit facilities to the banks equal to 20 per cent of their deposits. Some of the banks at the beginning of August 1914 used about one-tenth of this credit facility, but repaid the bulk before the end of August. Since then this credit facility (now withdrawn) has practically not been used. Another of the credit facilities was the discount of pre-moratorium Bills of Exchange, which was freely used by most, though not all of the banks.

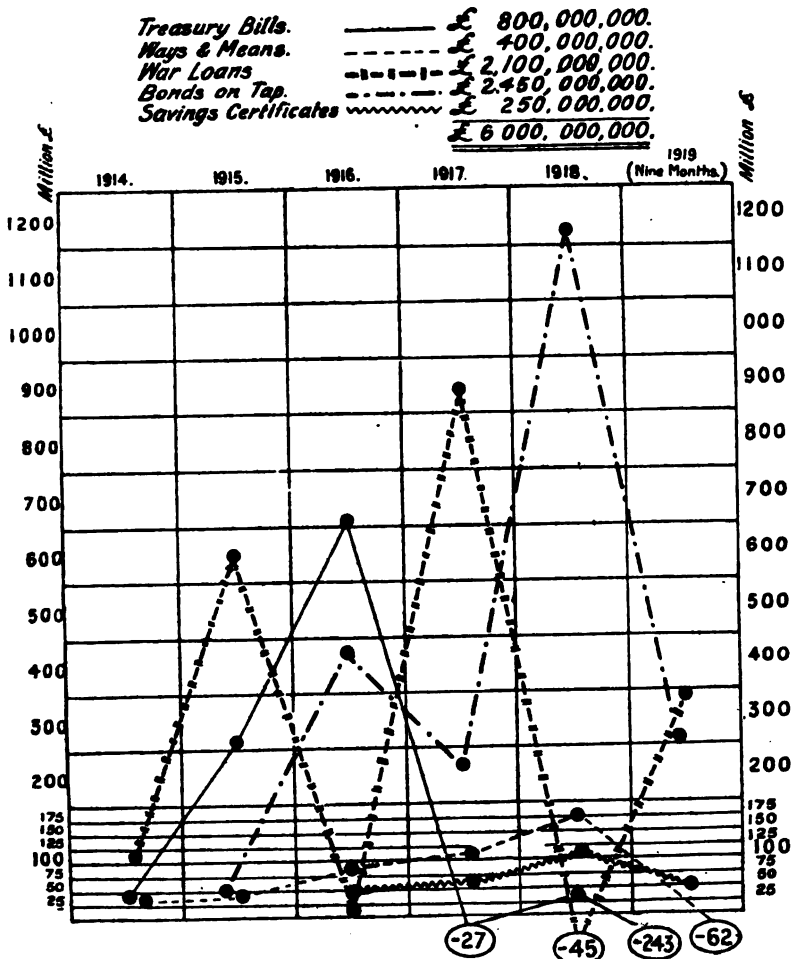
These charts giving the Bank of England figures do not tell the whole tale of the strain of the Government demand on the banking funds. I have therefore prepared six other charts, on pp. 238-243, to show the weekly receipts and payments of Treasury Bills and Ways and Means Advances.

I venture to suggest that these charts convey to the eye what words may fail to convey to the mental vision, viz. the real reason why the continuation of the creation of credit should be stopped by the gradual substitution of a Government security—a bond on tap—which appeals to the people.

If we analyse the increased deposits of the banks (1918 over 1913), exclusive of the Bank of England, it will be seen from my table of figures on p. 244 that over two-thirds of the increase has been due to the creation of credit in bank deposits against Government securities, and that nearly one-third represents the concentration of the people's surplus cash in bank deposits, due to Government disbursements of the proceeds of the sale of Government securities to the people.

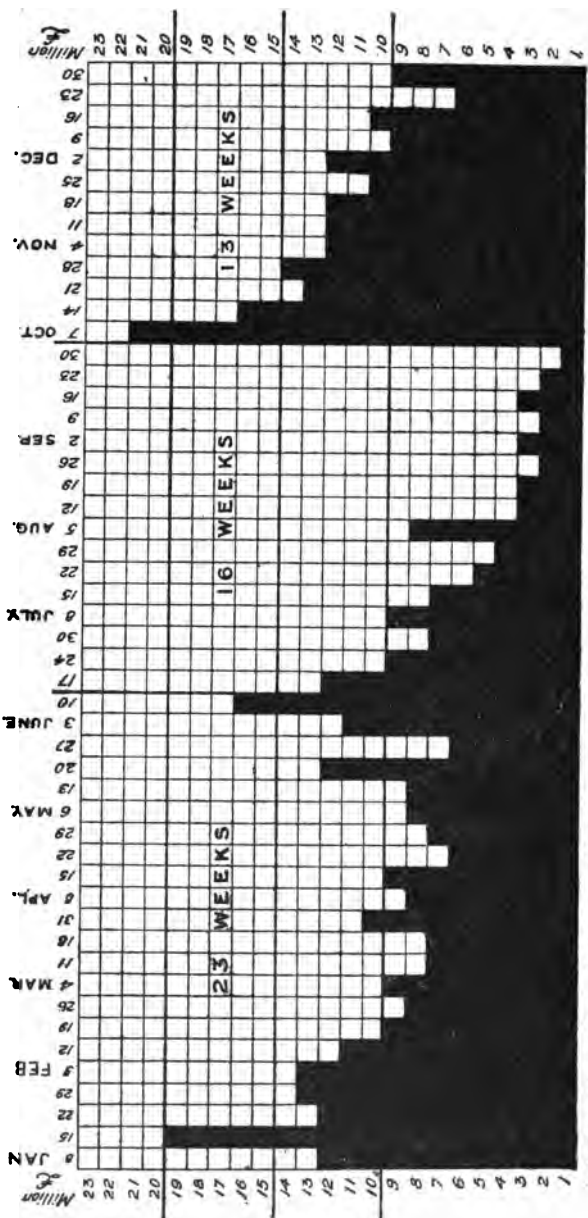
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EXCHEQUER WEEKLY RECEIPTS FROM HOME MONEY BORROWED FOR EACH CALENDAR YEAR.



D. Drummond Fraser.

EXCHEQUER BONDS-WEEKLY RECEIPTS-1916.



Reprinted from "Economist" August 11th, 1917, with the editor's permission.

Exchequer bonds raised in 1916 - £500,000,000 - black squares, weekly average £10,000,000.

Treasury bills raised in 1916 - £700,000,000 - white squares, weekly average £13,000,000.

28 Weeks - January 8-June 10-5% Exchequer bonds - weekly average amounted to £10,000,000 in spite of the average rate of discount on Treasury bills giving a yield of over 5%.

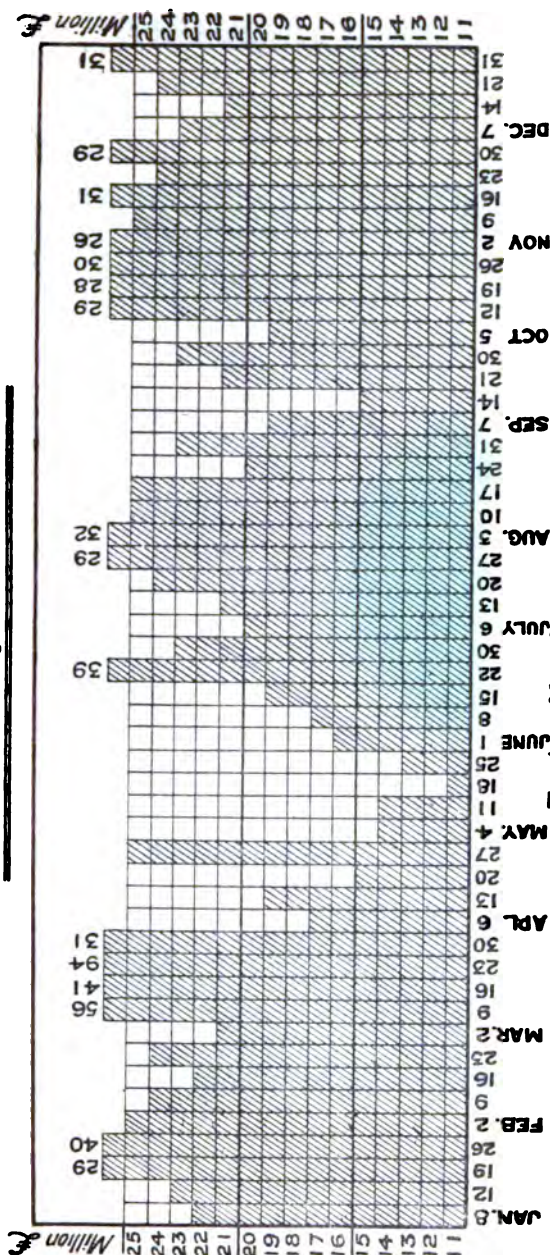
13 Weeks - October 7-December 30 6% Exchequer bonds - weekly average amounted to £12,000,000 in spite of the average rate of discount on Treasury bills giving a yield of approximately 5%.

16 Weeks - June 17-September 30-5% Exchequer bonds - weekly average amounted to £6,000,000 in spite of the average rate of discount on Treasury bills giving a yield of well over 6%.

If I assume that the whole of the increased amount of the bankers' figures for 1916 - £200,000,000 - was due to the purchase of, or finance of, Treasury bills by the banks, the balance of £800,000,000 of Treasury bills were purchased by investors, traders and others, which, with £200,000,000 of Exchequer bonds, and £100,000,000 of War Savings and War Repatriation certificates made a total of £1,100,000,000 raised for the Government.

D. Drummond Fraser.

NATIONAL WAR BONDS & WAR SAVINGS CERTIFICATES. WEEKLY EXCHEQUER RECEIPTS 1918.



Twelve Months Result:-
National War Bonds & War Savings Certificates. } £1,300,000,000.
Repayable at a Premium Five & Ten Years Hence } £25,000,000.
Weekly Average

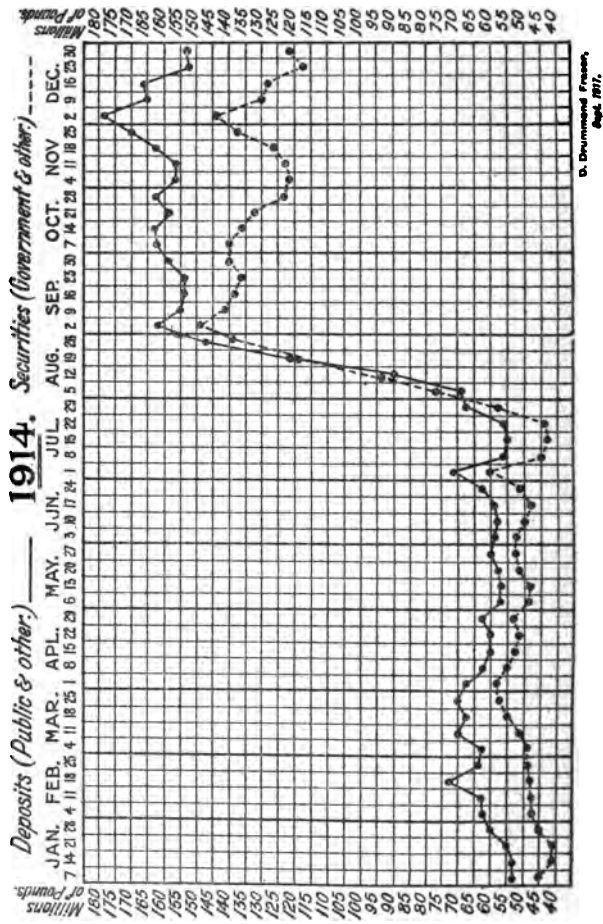
D Drummond Fraser.

TREASURY BILLS	Dec. 1917. £1,068,175,000.	WAYS & MEANS ADVANCES	Dec. 1917. £278,781,000.
OUTSTANDING.	Dec. 1918. £1,094,740,000.		OUTSTANDING	Dec. 1918. £453,180,000.

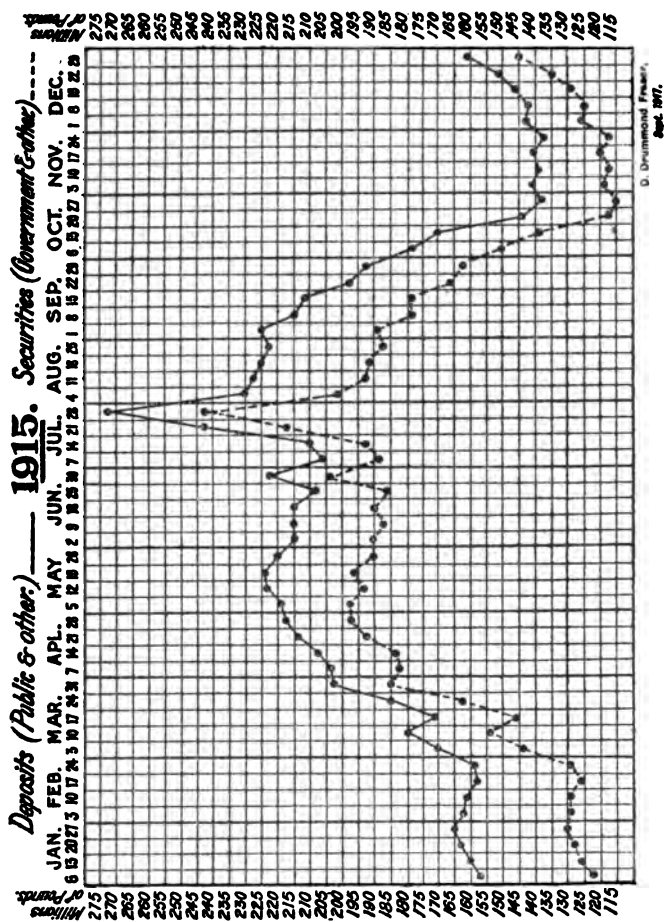
This chart shows that the effective adjustment of the interest allowed on Government day-by-day borrowing stimulates the flow of money in to a good Government Security, viz. Bonds on tap.
 At the end of 1917 the interest allowed on foreign money was raised, at the beginning of 1918 the discount on Treasury Bills was reduced, in June the maximum interest allowed on bank deposits was also reduced.

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BANK OF ENGLAND (BANKING DEPARTMENT), WEEKLY RETURN.



**BANK OF ENGLAND (BANKING DEPARTMENT),
WEEKLY RETURN.**

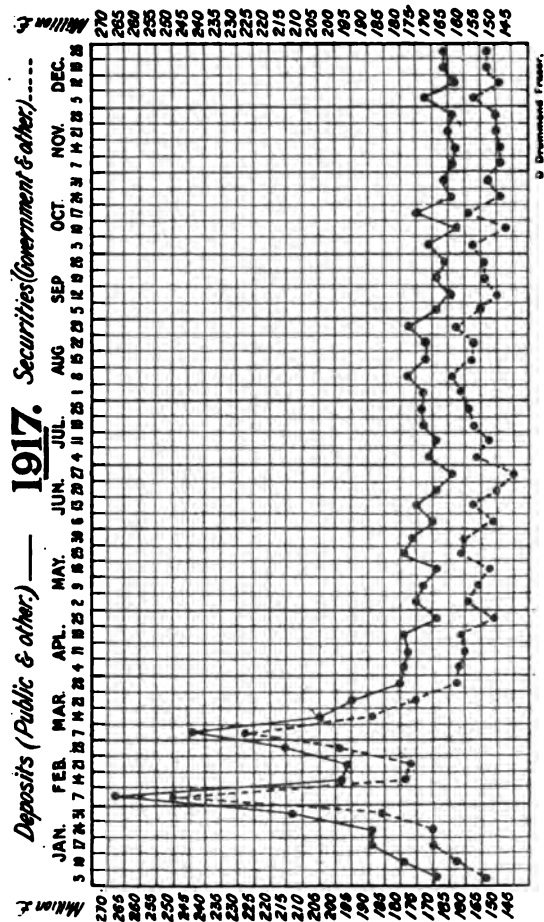


**BANK OF ENGLAND (BANKING DEPARTMENT),
WEEKLY RETURN.**



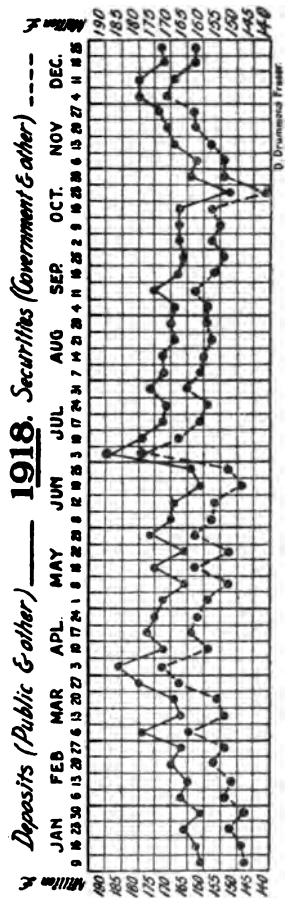
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BANK OF ENGLAND (BANKING DEPARTMENT),
WEEKLY RETURN.

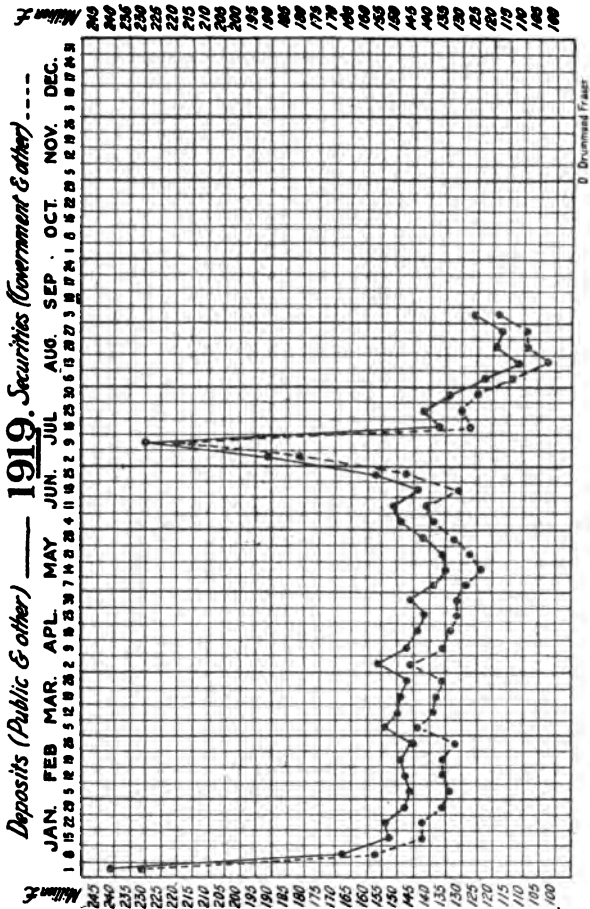


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BANK OF ENGLAND (BANKING DEPARTMENT),
WEEKLY RETURN.

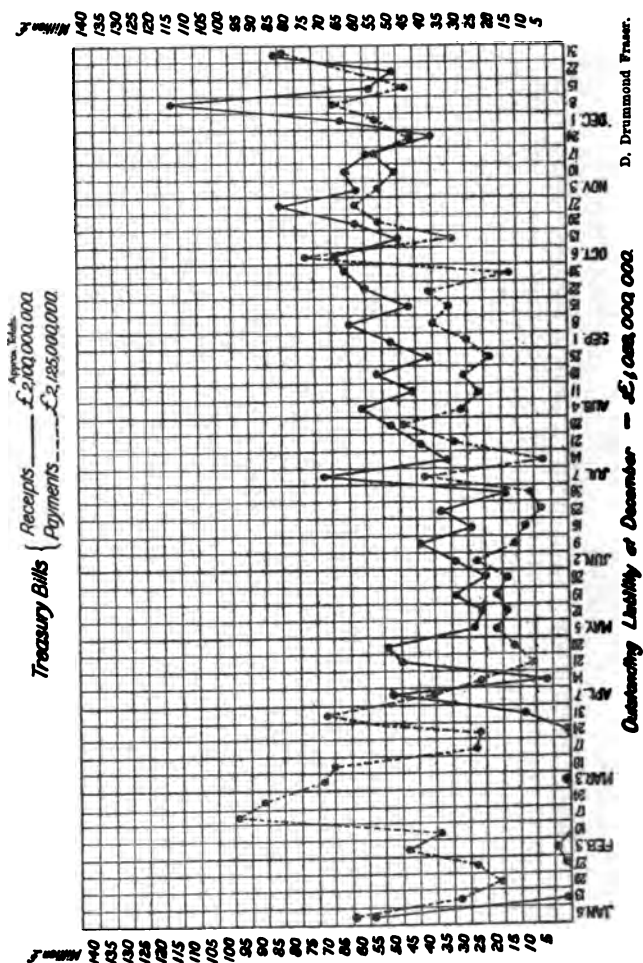


BANK OF ENGLAND (BANKING DEPARTMENT),
WEEKLY RETURN.



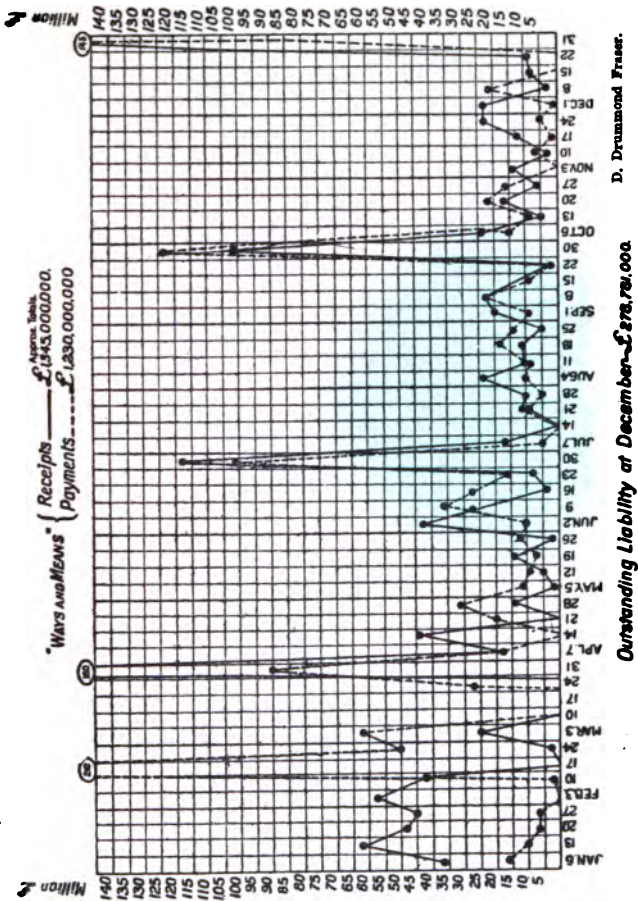
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EXCHEQUER WEEKLY RETURN, 1917.



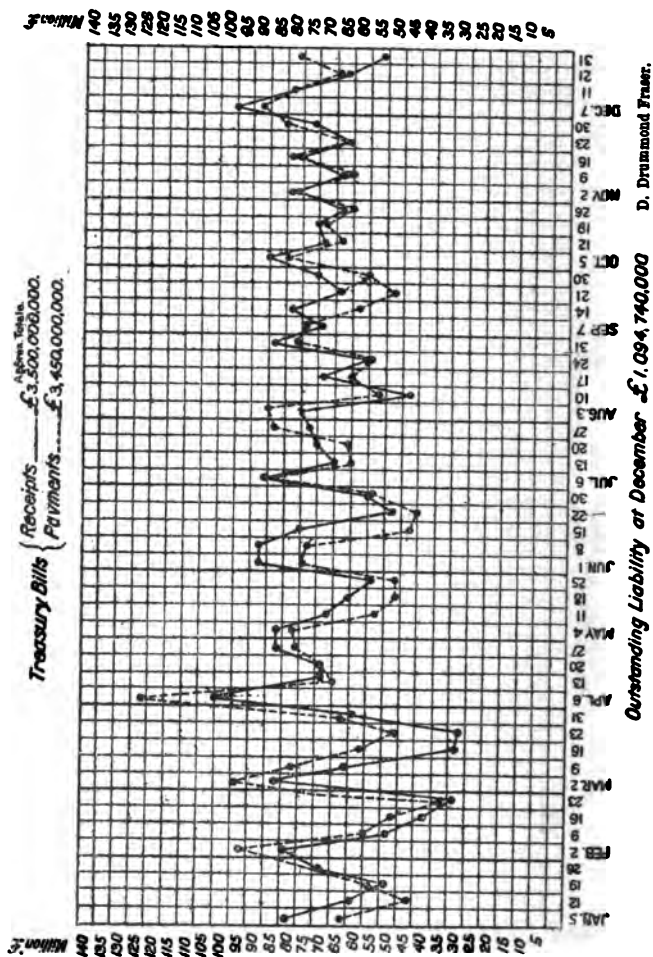
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EXCHEQUER WEEKLY RETURN, 1917.



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EXCHEQUER WEEKLY RETURN, 1918.

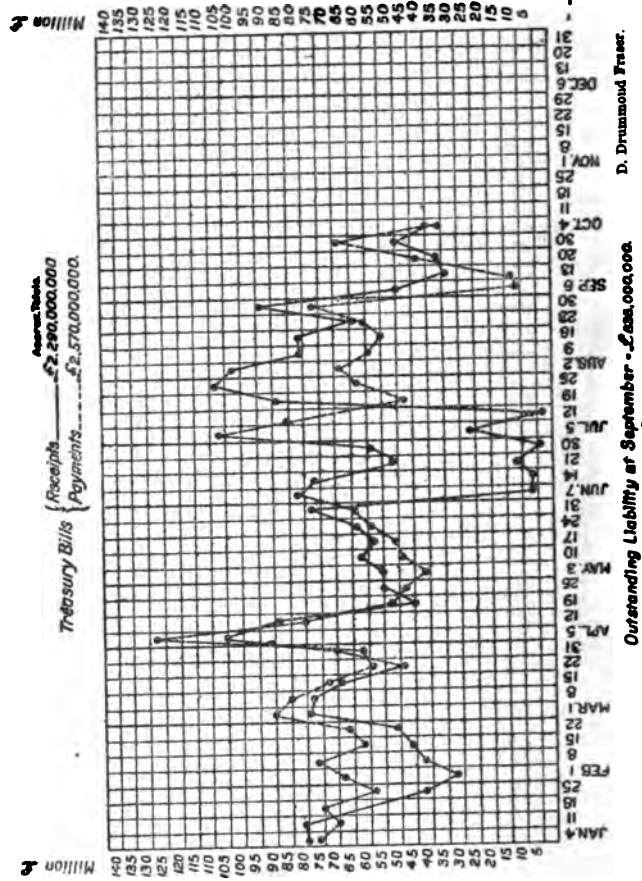


EXCHEQUER WEEKLY RETURN, 1918.



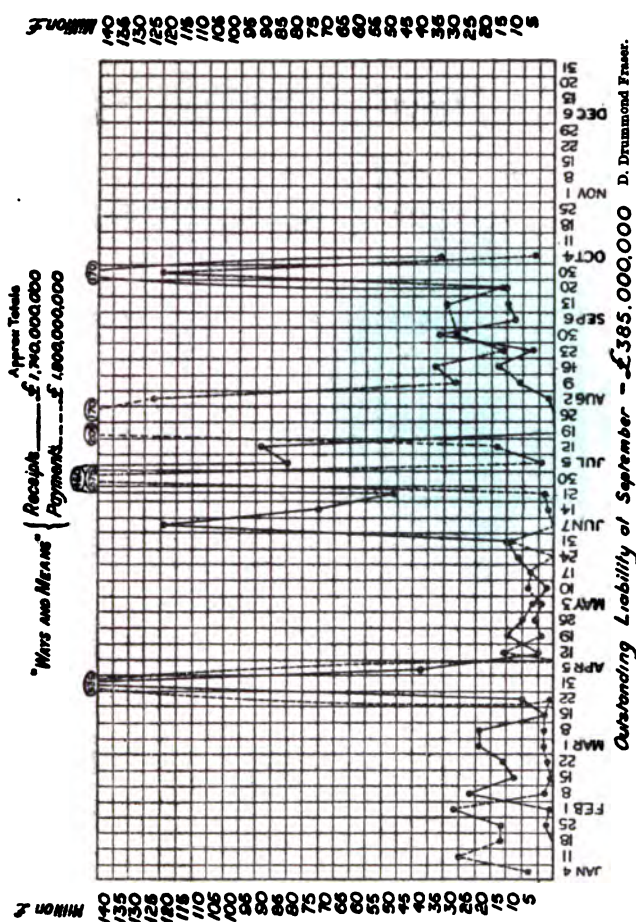
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EXCHEQUER WEEKLY RETURN, 1919.



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EXCHEQUER WEEKLY RETURN, 1919.



Aggregate Liabilities and Assets of the Banks of the United Kingdom (exclusive of the Bank of England) at December.

(Compiled from figures published in *The Economist*.)

	1913	1914	1915	1916	1917	1918	Increase in 1918 over 1913
Capital and Reserve	Million £ 114	Million £ 112	Million £ 112	Million £ 110	Million £ 114	Million £ 125	Million £ 11
Deposits	1,032	1,135	1,243	1,444	1,705	1,988	956
Acceptances	67	53	66	75	71	63	-4
Notes, etc.	33	44	44	52	62	72	39
Cash, etc.	1,246	1,344	1,465	1,681	1,952	2,248	1,002
Investments	293	330	330	454	527	611	318
Advances and Discounts	191	225	421	439	463	519	328
Premises and cover for Acceptances	682	701	631	693	873	1,025	343
	80	88	83	95	89	93	13
Bank of England (total)	1,246	1,344	1,465	1,681	1,952	2,248	1,002
Savings Banks deposits, Post Office and Trustee Note circulation* :-	...	+98	+121	+216	+271	+296	1,002 or 80%
Bank of England	119	209	215	236	230	261	119%
Scots	259	263	259	273	288	328	27%
Irish	30	36	35	40	46	71	136%
Currency (notes)	8	10	13	15	19	25	212%
	8	11	15	19	22	30	275%
	...	...	100	150	213	324	324%

* The increased amount of gold held by the Bank of England plus the Gold Reserve for Currency Notes will more than replace the actual amount of gold in circulation at the outbreak of war.

1. Drummond Fraser.

GOVERNMENT EXPENDITURE, RECEIPTS AND BORROWINGS (Compiled from figures published in *The Economist*.)

	1914	1915	1916	1917	1918	1919 Sept. 30	Total
	Million £	Million £	Million £	Million £	Million £	Million £	Million £
Permanent Debt Charge	24.7	22.9	18.6	18.8	18.2	25.3	128.5
Interest, etc., on War Debt	1.1	30.8	108.3	153.9	240.8	179.7	714.6
Other Payments	12.5	13.0	12.3	11.8	11.4	8.9	69.9
Supply Services	339.9	1,273.8	1,885.9	2,477.1	2,446.4	1,055.8	9,478.9
Total Expenditure	378.2	1,340.5	2,025.1	2,661.6	2,716.8	1,269.7	10,391.9
Exchequer Balances	+0.6	+25.3	-10.7	-2.3	-7.7	-3.5	+1.7
	378.8	1,365.8	2,014.4	2,659.3	2,709.1	1,266.2	10,393.6
Revenue	196.4	274.4	462.6	681.0	815.7	839.0	3,269.1
Treasury Bills	44.3	319.3	706.2	-27.7	36.7	-243.2	835.6
Temporary Advances (Ways & Means)	37.0	40.9	84.4	107.9	176.5	-62.1	384.6
War Loan	102.0	655.7*	6.0	947.3	-45.2	367.3†	2,033.1
Exchequer Bonds . . . . .	...	49.7	477.5	76.0	0.8	...	664.0
War Savings Certificates . . . . .	...	...	40.2	63.2	102.0	51.5	256.9
War Expenditure do. . . . .	...	...	29.9	-6.3	-23.5	...	-1.1
National War Bonds . . . . .	...	...	...	195.9	1,224.8	312.0	1,732.7
Other Debt . . . . .	...	...	194.8	650.5	455.1	82.7	1,383.1
American Loan . . . . .	...	35.3	15.5	...	...	...	50.8
Sundries	-0.9	0.2	-2.7	-2.0	-1.8	-2.3	-9.5
Civil Contingencies . . . . .	...	...	...	...	...	-60.0	-60.0
Depreciation Fund	378.8	1,375.5	2,014.4	2,685.8	2,741.1	1,284.9	10,480.5
	...	-9.7	...	-26.5	-32.0	-18.7	-86.9
	378.8	1,365.8	2,014.4	2,659.3	2,709.1	1,266.2	10,393.6
Stock Exchange values of 387 representative Securities per <i>Bankers' Magazine</i> at December	3,200 <i>July</i>	2,900	2,800	2,600	2,800	2,700 <i>Sept.</i>	

* After deduction of Repayments to Bank of England.

† After deduction of Repayments of War Loan.

D. Drummond Fraser, October 1919.

Organised Labour in Relation to Industrial Development

BY THE RIGHT HON. J. R. CLYNES
P.C., M.P., D.L., D.C.L.

A LECTURE GIVEN ON TUESDAY, MARCH 2, 1920

WHENEVER Labour is referred to on the platforms of this country, we now refer to it as Organised Labour. We think of Labour in the terms of a great organised movement and of a force which asserts itself in different ways, and puts forward a body of doctrine. We think of it, not merely as a power in the workshop used hour by hour for wealth production, but as a great human element, made up of some millions of men and women.

I want, in speaking to you to-night, to glance at some of the changes which the war has produced upon the working-class mind ; to impress upon you the dependence of the people upon the trade of the country ; to deal with the question of output and the production of goods with relation to the outlook and position of Labour ; to refer to the subject of the workmen having a right to share in the control of the workshop or trades and occupations in which they are engaged ; to assert the claim of Labour to the recognition of a substantial minimum, as expressed by an adequate wage, and by other standards which should ensure to the human being a condition of life equal to the expectations and tastes of a civilised population

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of this age ; and finally, to suggest the necessity of so modifying and so regulating our industrial system as to ensure a greater degree of contentment, pending any fundamental alteration in the system itself which hereafter may be accepted by public opinion. I want to suggest with regard to that last subject that, just as we seek to ensure for Labour a minimum reward for its services, there should be fixed for Capital a maximum remuneration beyond which it will have no right to claim.

Things are so much in the making just now that there seems to be a great deal of truth in the paradox, "There is nothing permanent but Change." The effect of the great world-war upon the mind of Labour has been perhaps greater than upon any other class in the community. While all classes served on land and on sea with great self-sacrifice and valour, the working-class soldiers have come back, now that the war is over, to the same social conditions. But they have brought back to those conditions a mind no longer contented to endure them.

This fact underlies many of the manifestations of discontent, which may grow in force until effective action is taken to try remedies which will be in harmony with the frame of mind produced by the war.

That frame of mind is all-important. Millions of men who were asked to give up everything they had—life itself as well as material interests, personal prospects, position, wages, family comforts, and domestic happiness—for the defence of their homeland, were naturally changed by that demand for sacrifice, and they have come back with a very much altered outlook and a different sense of the relationship between themselves and the State, as compared with pre-war days.

It is that frame of mind which has manifested itself in these sudden upheavals—trade stoppages, strikes,

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and disturbances—which unhappily have been too common since the close of the war.

Now, during the war the State exercised control over employers for all sorts of purposes in order that the war should be won, and very great organising powers were displayed by the State, as well as by many thousands of men serving the State in the spheres of trade and of commercial life. And Labour now feels that it is right to exercise any necessary control in order to secure for the men who have come back a position in which they can be guaranteed a level of living higher, and conditions of dignity and comfort better than they had before the war. These they now feel they are entitled to because of the services they have rendered.

This frame of mind may be criticised, resisted, and condemned. I want, however, whatever you think of it, to point out that the new outlook is there as a potent factor which must ever be borne in mind in the treatment we apply to questions as they arise day by day.

Now the rule with employers of Labour, generally speaking, and with many Departments of State in the years preceding the war, was that of never agreeing to improve rates of wages except according to a standard which they themselves had laid down. The standard was, What was the lowest the working man could live upon? What remuneration or pay was sufficient to enable the man to meet the ordinary simple needs of life day by day? They did not ask themselves how much more the trade or business in which they and the men were employed could afford to give, they usually asked, *What is the lowest sum on which a working man can manage to live?*

This idea is exhibited in the Public Inquiry proceeding in London with regard to the claim for an improvement in the wages of transport workers.

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It is important, I think, that we should keep in our minds, that conditions as they have been and are usually incline employers of Labour to figure out precisely particular items as showing what is the least that the working man can manage upon, and therefore justifying what is the highest that employers can be called upon to pay as the reward for Labour's effort.

Working men will no longer submit to be governed by such a standard, and they are asking for a higher and a better one. The workman is seeking opportunities for greater leisure and for more tolerable conditions of both home life and of service in the shop.

He is saying—and Society at large is coming to agree—that Capitalists can no longer pursue their claims for private wealth without regard to the great human needs of the masses of workers, and if employers continue to try and set aside those human considerations, they are likely to fail, with disaster to themselves and to their country.

Now, on the other hand, workmen must not overlook the fact that there are many other classes in the community beside themselves. I suppose the tendency of us all has been to look at our national problems from just our particular personal or grade standard. It will be to the advantage of the workmen, in pursuing their own special interests, to look at the just claims of others as well. We must not overlook the place which "brains" must fill in the pursuit of the trade and business ends to be attained. The men who act as superintendents, salesmen and directors, inventors and designers, who act as managers of our great businesses, having highly complex national and even international problems to deal with, must be given reasonable reward for their service.

Trade is world-wide, and it often requires a view which most workers are not in a position to take.

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Real wealth can only be expressed in terms of work, and whatever else may be sought as a solution for present-day difficulties, at least two things are essential. One is that employers should try to secure the confidence of their workpeople in exploiting industry for the mutual benefit of both sides, and the other is to conduct their businesses so as to reach the highest point of output which mutual effort can attain. The curtailment of production might do some injury to trade, but it will do far greater injury to the genuine interests of workmen. The measure of both wealth and leisure must depend upon the degree of output which can result from their actual working time.

I intend to pursue this question of output a little further, because, while I know I may be suspected by those on the Labour side of pleading the cause of employers, and of claiming that the workmen should do more than they are able, I do not mind that suspicion. All men who try frankly to say what they think is proper have to endure suspicion of that sort. I assure you I attach the highest importance to a changed attitude of mind on the part of the workers in regard to this question of increased production, and I attach that importance to it in their interests, as I shall endeavour to show.

I think it will be a good thing for workmen to broaden their outlook, and give a fair opportunity to other grades of workmen who are not favoured by apprenticeship or by early educational opportunities or workshop training. In short, the cause of Labour should be made to involve less and less conflict between workman and workman in different trades and in different departments. Workmen who demand that Capitalists should be fair to them should at least agree to be fair to each other. They should be especially fair to those grades or sections of workmen who suffer the handicaps of lack of education or of

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training, and who are less skilled in the performance of their labour.

The war changed many things, but it has left one thing quite unaltered. It did not alter the fact that we are a great exporting and manufacturing community. We cannot hope to keep our place in the markets of the world if we encourage or tolerate any system of under-production. The production of goods for the time being may be curtailed by reduced hours of labour—by hours of labour properly reduced. But output should not be lessened by any other means.

Output can be increased by improved systems of production, by fuller use of mechanical devices and appliances, by more skilful and agreed subdivision of the effort of labour, by reorganisation, by good time-keeping, and by the removal of any old method which may have hindered production in the past.

Employers, however, must not make the mistake of thinking that workmen will agree to produce more unless they enjoy a greater share of what they produce. In other words, increased production must mean not only increased commercial prosperity and increased profits, it must mean an increased standard of social life for the workman, with greater purchasing power to buy and to consume more of the goods resulting from his labour.

I want to make it clear also that increased output need not necessarily involve increased individual exertion on the part of the workmen. I believe that, given a readiness to accept in principle the desirability of increased output, means could be devised along the lines of the conditions which I have laid down, which would result in an increase in the volume of our products.

Now, I am as mindful as any one can be of the fact that this is a very imperfect industrial system from the standpoint of the average Labour man. I

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am not defending the system at all, either positively or by inference, in suggesting the necessity of making the best use of our efforts with respect to producing an abundance of commodities. Let us all aim at and work for an improvement in our social and industrial system, but even if we agree that the system is bad, let us conform to common sense at least to the extent of thinking that, bad as the system is, it is better to make the best of it than the worst of it, in order that even under the bad system we shall have a higher standard of working-class leisure and pleasure than is possible to-day.

There are two main reasons which fill the mind of the working men and many of their leaders on this question of increased production. Rather, perhaps, I should call them two main fears. There is the fear of unemployment, and the fear that the workmen will not get their fair share of the increased output which may result either from their consent to such a system or from their increased labours.

The fear of unemployment was very graphically expressed quite recently by the present Prime Minister in a speech made by him to representatives of a great Building Trades Conference. I would like to quote the words of Mr. Lloyd George. He said :

“ I know what the workmen have got in their minds. They have got the horror of unemployment. I wonder what sort of Christmas-time an unemployed man has to face for his children. We must get rid of that fear and horror of unemployment for ever. That is a thing we have no right to permit in a civilised community. It is a torture which no humane citizen ought to commit, it is a thing which is causing a great sense of wrong, a sense of injustice, a sense of grievance in the

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minds of working men of this country even more than anything else is."

I am sure you will agree that we could not say more, if we tried, against unemployment, than is said in that sentence. Working men have a sense of horror, of injustice, and they look with the greatest dread on a condition of unemployment.

Now, in the very same hall where the Prime Minister spoke to those men there was held, a week or two afterwards, a great Conference of one of the most strongly organised bodies of workmen in this country. I refer to the miners. And on this platform it may not be out of place for me to express the indebtedness of the working classes generally to the courageous and able leaders of the miners, who have led them and fought for them and their cause in recent years. For although you may feel aggrieved at times about what the miners may do, at the shortage of coal and the price of it, yet you cannot forget that for generations those men did the hardest and most dangerous job, and worked under the most arduous conditions and in state of impoverishment. Any one of you who has been through miners' quarters in Lancashire or Scotland or Yorkshire, or in South Wales and certain other parts of the country, cannot but feel the horror of which Mr. Lloyd George spoke. You have conditions of degradation and dirtiness and ignorance in these places that certainly have done nothing to lift to a level of credit any one of our British trades and industries, and in the last twenty-five or thirty years it has been a glorious work for certain of the miners' leaders to perform, to bind these men together and make them into a great power, able at least to stand up for themselves and to get something like a living wage. It was in that same hall that these leaders met, and they passed a long and

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reasoned resolution calling for the nationalisation of the mines of the country. I am not going into that subject now. I want to draw your attention to the immediate aims which that resolution said were the objects of nationalisation.

The objects to be sought by national ownership of the mines, said this resolution, are the following : " To produce the maximum output of coal, consistent with the provision of adequate protection for the workers engaged in this most dangerous employment. The introduction of labour-saving appliances on the widest possible scale. A more economic working of our coal-mines consequent on the elimination of the interests of private land and royalty ownership."

I draw your attention, therefore, to this fact that the miners' leaders are committed to the idea of producing from the work of the miner the highest possible output of coal, consistent of course with the provision of adequate safeguards for the protection of the miners in this most dangerous occupation ; that they want to use to the fullest extent labour-saving appliances, and that they want to work upon the most economical scale possible.

Now, if it be a good thing to pursue these objects in connection with this fundamental industry, the industry upon which the rest of our commercial life depends, it must be equally a good thing to pursue these objects in the various other trades and industries of the country, and if these objects can be pursued, consistent with safeguarding and protecting the workers engaged in dangerous employments, then it seems we are agreed as leaders of Labour that these things are desirable in themselves.

But there are workmen who believe that if output is increased and a greater abundance of commodities is yielded by the effort of one particular day, the effect will be to displace labour and throw men out of their

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jobs. To preach the fallacy that if some men do little work there will be more for others to perform is to betray a real ignorance of the elements of political economy. I want Labour men at least to avoid any such blunder. There are many who hold this opinion, but Labour leaders should know better. Unemployment makes nothing but more unemployment, and the demand for all manner of things at the present moment is greatly in excess of the volume of production. If ever there was a risk of over-production causing unemployment, there is none now. For at least a dozen years to come there must be conditions of shortage of commodities which, with the best energy in the world, cannot be removed. We are in arrears with work. The years of war were years of great destruction and disturbance, and the industrial requirements which in field and factory have reduced the hours of work, will also have their effect upon supplies, and incidentally require regularity of service and a higher standard of efficiency if our needs are to be met by our daily labours.

And next to that safeguard there is the organised strength of the Trade Union movement as compared with former years. That strength is a shield against any attempt to cause the workers to suffer periods of unemployment through over-production.

You may have observed that only last week the State proposed to accept a fuller measure of responsibility for unemployment towards the workers of the country. The measure introduced by the Minister of Labour proposes to insure against unemployment between 12 and 13 millions of workers, practically every class of manual worker earning below £5 a week, who is not already adequately provided for in respect of unemployment by any scheme that may now exist in his particular trade. The responsibility of the State in this respect is an increasing one, and denotes the

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fact that no longer can a Government turn away from the grievances of the workmen who want work, and say, "That is your affair," and that it is no part of their work to do anything to assist them.

There are many other lines of defence against this fear of unemployment in addition to those which I have already cited.

In the face of recurring trade disturbances, the question has been asked by some who are not of the working class, and asked with seriousness and anxiety, Is the workman bent upon ruining his country? That question is usually asked by the man who is extremely comfortable and secure, and who usually has no cause to fear any of the risks of distress and hardships that are part of the common life of the average workman. I do not think there is any idea in the mind of the average workman of doing his country harm, and, if there were, the workmen themselves would be the first to feel the effects of any ill which deliberately they might intend.

Workmen do not intend harm, but still there is some danger of it being done. But others are to blame beside the wage-earners, and it is time that all who are to blame, and who are in the pursuit of sectional interests and achieving victories over each other—it is time they were made to understand that these victories are won at the cost of defeat to the supreme interests of their country as a whole. In short, there is a community of interest, a general consumers' interest in regard to this matter.

When there was abundance of goods, and money had a high purchasing power, the country could afford to face with equanimity recurring industrial strikes and periodical stoppages without any sense of serious loss. But that margin of security has disappeared. Want has overtaken plenty. The purchasing power of money has gone down because the articles we want

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are out of reach, and supplies have been short because the war so completely dislocated the manufacture of all commodities which express the trading and commercial prosperity of the country.

I have said that whatever else the war altered it has not altered broadly the fact that our community and commercial and industrial life has been left unchanged. We are dependent for the first needs of life, food, not upon our internal production of bread and meat but upon what we can bring from far-distant shores.

If we do not continue to trade with countries abroad we cannot maintain at home the life-standards which the workers are properly demanding, and which have been promised to them. No Government and no class can fulfil those promises until the international trade relations are maintained in a manner to provide wealth which will be equal to meeting our requirements.

I do not mean provide money. We can make money, such as we are now using, by working overtime in one or two paper mills. Money is not wealth, it is merely the token of it. The wealth the workers want is expressed in such terms as clothing, shelter, food, and a score of the household needs of every day. Labour of hand and brain is the source of wealth. So far as that source is choked up by strikes, stoppages, and disturbances, by checks to enterprise and trade development, the country is impoverished and the volume of the people's needs seriously reduced.

I feel often, when dealing with these trade disputes and strikes, which frequently I have to handle, that strikes should be entered into only when there is some big, some defensible purpose to be attained. The workers are deceived who think matters can be put right by imposing some heavy tax upon those who can bear it, or by taking some more from those who

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possess it, or by increasing the wages of the manual workers at the expense of even lessening the salaries or income of some more favoured people among the population.

Something may be said for all these courses, but they will not provide a remedy for our existing troubles. Work, and what it yields, only can provide the remedy.

We have changed from the position of being a nation with great credit abroad to a nation in a state of indebtedness both at home and abroad. The value of the British sovereign has fallen in the world. In that particular country from which much of our food comes it has fallen most. The fall in this value means in practice that we have to provide a larger sum of money for a lesser quantity of the things we purchase. That is one of the facts that must be faced and overcome before we can advance along that road of national reconstruction which we vowed was to be the first undertaking when the war came to an end. That work has not effectively been started. It is work that cannot be expressed in terms of a party political programme. It should be a national objective and viewed as something to be attained high above parties or political organisation. We can think of reconstruction in terms of coal-tubs and railway wagons, machine-tools and transport services, and when we have done this we must think in terms of ship-construction material, shipping resources, and the effects of all these things on the production of commodities and the conveyance of food. An interruption in our coal supplies, or a choking-up of commodities at the docks is an impediment to trade not limited to a colliery or a coast town. We are taught by these things how needful is the smooth and efficient working of the machinery of distribution.

It is natural and proper for the workmen to want

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shorter hours and many other things, but there are times when these benefits can come as only a doubtful blessing, and the workmen's wages have been increased without any actual increase in their real wealth. We can have high wages and a low standard of living, and that standard cannot be lifted by paying the workers more unless there has been a lifting of the standard of production, education, and efficiency.

The human factor in industry has been a long-neglected factor, neglected to a degree which has been a fruitful source of trouble, and we are now trying to do rapidly what it would have been well for the country and for the employers if they had consented gradually to do in years gone by. I remember long experiences of utterly useless efforts, and appeals made to employers of labour years ago in regard to little groups of workers in particular departments, works, or trades for some slight improvement, and I recall,—for instance, in this city, in 1911-12, before the war—I recall the callousness and the folly and the ignorance of employers in resisting a most reasonable demand. Let me remind you of what the facts were in this city. There was the greatest and most prosperous state of trade modern Britain has known. Trade was expanding, profits were increasing, the income-tax returns showed that wealth was going up and up. And yet, in face of that unprecedented prosperity, we could not, without a fight and a strike, get a weekly wage of a pound for men who were doing most arduous work in lots of engineering machine shops in Manchester. You will remember how there were street scenes and processions and disturbances as a result of those strikes. And perhaps the biggest blunder which the employing class has committed has been the blunder of seldom, if ever, yielding what they could afford to give, except under the pressure of the workers' power to compel. They taught the working classes to appeal to force when

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deprived of their due. I therefore say that the sooner both employers and employed jointly exploit the industries of the country for the benefit, not of one class or interest, but jointly for the benefit of both, the better it will be for all.

I dare say that some of my Labour friends will think that the best thing is to make an end of this sort of industrial and social system at once. Just, however, as it is said that a country gets the Government it deserves, so it may well be said that it will get the industrial and social system which it desires. This system is the growth of centuries. Imperceptibly has it expanded and grown up until here it is. Just a hundred years ago there was carried through Parliament an Act which affected Manchester very much—an Act of Parliament dealing with the question of hours of labour in factories, and it provided that an employer of labour should not work a child of nine years of age longer than twelve hours a day! Well, you see, that those things which, as I say, are the growth of centuries, present us with a vast alteration, comparing that time and now. Able-bodied men and women insist upon even less than eight hours a day in most trades and occupations in this country.

With the most modern machinery it is impossible for this country to provide itself with the quantities of cotton, timber, iron ore, rubber, wool, and the various other articles required for manufacturing purposes; nor can we in the realm of food produce sufficient supplies of wheat, meat, sugar, tea, coffee, cocoa, and many other things, and I want to impress upon you again that we are dependent for the supply of these things upon other lands. Therefore, I take the view that Evolution being the real law which has produced for us this evil state of things which now exists, Evolution expresses, rather than Revolution, the lines upon which it may be modified and ultimately changed

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altogether. Just as you can only have respect for Law when it rests upon consent, you can only make the best of a system when that system rests upon consent. I would like the great mass of the population to be persuaded, to be convinced, to be shown, according to their intellectual and receptive powers, the wisdom of making changes rather than having changes forced upon them. The working man readily claims for himself that he will not be driven. He is willing to be led, willing to be shown, but he is not willing to be forced. The working man can depend upon it that all other Britons are like himself in that respect. They will not be driven, but they can be led, and they can be persuaded. These great changes must rest rather more on the intellectual acceptance of the views and proposals that are put forward than upon the mere imposition of power used by one class against another.

I have tried in this statement to express some of the many things which are roaming in the mind of Labour. We may differ about many things, but all of us love our country; we feel, however, that it must no longer be the country of only a few of the people in it. It should be the country of all of us, in the sense that there should be for all of us not merely a chance, but a fully developed opportunity for that life of joy and usefulness which was meant for the masses as well as for those who are described as the classes. I welcome the new and great power of Organised Labour, represented as it now is by more than six million Trade Unionists, and welcome it to its rightful share in the reshaping and making of that better Britain that we desire to see.

In reply to questions, Mr. Clynes said he was certainly not of opinion that Revolution was only an accelerated form of Evolution. Neither would he like

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to see in this country a working-class dictatorship resting upon militarism. He thought it would have been better for Russia if she had been satisfied at least for some time with one revolution, that which banished the Tsar and placed the power of government in the hands of the people as a whole. Kerensky and those who supported him had no opportunity, and unhappily they got little encouragement from this and other countries. He thought it would have been better if the Russian leaders had been content with one revolution and made the most of it, in order that they might have effected the industrial and economic changes through the medium of political effort, rather than through the medium of the dictatorship that now existed.

After further questions, Mr. Clynes said that what was called the workers' right to share in the control of industry would go far to allay many of our present troubles. They wanted to catch troubles while they were young. A grievance was felt first by the individual man in the workshop, and those who had personal experience were the best men to advise as to how to remove the grievance. If they had workshop committees linked up with the larger district committees, and they in turn with the higher bodies known as National Industrial Councils, as laid down in the Whitley Report, they would do a great deal to allay troubles. That Report was signed and accepted by men like Mr. Robert Smillie, and by himself, although they did not agree about many things. It was doing a lot of good—more than three million workers in the general trades, workers not connected with the big divisions of labour like miners, railwaymen, engineers, or transport men, but three million men apart from those, were covered by the Whitley Report. There were now in existence fifty National Joint Industrial Councils, which had gone far to settle an enormous number

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of difficulties which had risen between employers and employed, but not much had been done to let the effects of those Joint Industrial Councils filter through to the workshops. He would like to see the growth in the workshops of that spirit which had called these councils into existence. Two things were preventing it—one was the suspicion of the workpeople about getting entangled with the management, and the other was the fear of the employer, that if he handed over any part of the management to the workmen, he was as good as done for. He (Mr. Clynes) wanted to see the two parties as partners, cultivating that spirit without which there could be no real joint control.

With regard to Trusts, Mr. Clynes said they had no right to fix unalterable prices, prices which revealed clearly profits which were extortionate. A bargain was one thing, but a state of force was another. If a man made a bargain let him take the consequences. But under the present condition of things there were none of the elements of a bargain.

Reverting to his previous remarks as to a minimum reward for Labour and a maximum for Capital, Mr. Clynes said that Labour was Life, while Capital was Material. The labourer must be guaranteed a minimum standard of life and a level of comforts such as every human being was entitled to. But the capitalist must not be allowed to exact the scandalous profits which he had been able to make, especially during the war. If they fixed a reasonable reward for Capital and ensured that Labour received its right, the margin should be divided between them.

With regard to Nationalisation, Mr. Clynes said that the feeling in the Labour mind was that there were some things which should be nationalised as a matter of right—land and minerals for instance, which no man had made; and others which should be

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nationalised as a matter of expediency—such as railways, mines, and waterways, which were man-made, but which were the very arteries of our commercial and industrial body. Those things should be made State property in the same sense that we had a State distribution of letters, and a State protected by a State Army and Navy. That was the length, he thought, to which Labour would go for a very long time to come.

Labour : Its Output and Reward

By PERCY J. PYBUS, C.B.E., M.I.E.E.

A LECTURE GIVEN ON TUESDAY, MARCH 9, 1920

I PROPOSE to discuss this evening problems connected with methods of remuneration in industry. Much that I shall have to say will be of general application, though I shall deal more particularly with the engineering industry, with which I am directly associated. There are, I think, in this case sound reasons for thus restricting the field to be covered. The engineering industry is our second largest trade ; the remuneration of labour engaged in that industry presents peculiar difficulties ; and it raises questions of immediate practical importance.

I propose to approach the problem from what may at the first blush appear to be a strange angle. Increased production is a cry with which we are all familiar. We have heard it from the lips of politicians and financiers, from the press, and I am glad to think from leaders of organised labour. The context has not, perhaps, always been appropriate. References to the subject have sometimes been marred by a failure to appreciate what is hampering production or by a violent and prejudiced allocation of responsibility. Like every other truth which attains wide popular currency, the doctrine of increased production is in some danger of being twisted and misused until it becomes no more than a half-truth and the real power has gone out of it.

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And yet it is so vital that I want to put to you briefly what are in my view the two principal and sufficient reasons for holding that an increase in production is the great national need. First, that without a great addition to the national wealth we cannot hope to carry the burden of debt imposed on us by the war or to raise the standard of living of the mass of the population. There is no escape from these tasks. A man is no longer dubbed a radical who wishes to ensure to every one of his countrymen the benefits of education, decent housing, health, high wages, and leisure for the employment of his faculties. We are all agreed that our civilisation will have failed unless it can offer humanity these things at least. But no civilisation can in the long run maintain itself without work and the wealth which work produces. Historians tell us that the civilisation of ancient Athens—perhaps the highest level to which our human race has yet attained—perished because the national income was inadequate to the national needs. Athens built the Parthenon when on the threshold of bankruptcy. Our task is to succeed where Athens failed. No short cut such as the equal distribution of the national income of to-day can help us. Wealth must expect to make even greater contributions to the objects for which the State exists. But it is a hard fact that at the present time the elimination of the rich could not make the poor appreciably less poor; and those who spend their lives in denouncing capitalism are raising hopes which are incapable of fulfilment.

It came, I confess, as something of a shock to me to find the second reason for urging increased production, which had long been vaguely present to my mind, stated recently in what I felt to be an incontrovertible argument by the Dean of St. Paul's. The population of these islands is still increasing. No country can in the long run support a larger population than it is

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able to feed. If, like England, it produces only a small part of its food supply, it must obtain the remainder, if at all, in exchange for commodities exported. Unless, therefore, as our population grows we are able in proportion to increase our exports, our food supply will fail. The first effect of an insufficient food supply is a depression in the standard of living, the ultimate effect a fall in the net birth-rate. If the process is carried to extremes, an industrial country such as this may become de-industrialised, and England 200 years hence may find its closest likeness in England of 200 years ago. We must accept the justice of this reasoning. We may prefer to believe that England will advance and not move backwards ; but it remains true that the condition not merely of advance but of maintaining such standards of life as we have at present is an increase in production and in wealth.

There is a dangerous tendency to think that these arguments can be invalidated by a reconstitution of society on some other basis. We are told that the capitalist system is the root of all evil. We are offered in its place State communism and many other alternatives. Some critics demand the nationalisation of the means of production, whatever that may mean ; others, such as Mr. Bernard Shaw and Mr. G. D. H. Cole, tell us that equality of income, irrespective of work done for it, should be our ideal. I should like to quote to you here these sentences from a recent book by Mr. Cole on *The Payment of Wages*.

“ It is often suggested,” he says, “ that payment by results possesses some superior equity over time-work, in that it does secure that a worker who produces more will get more money. This, in the mind of the present writer, is pure capitalist morality. Why should a man who produces more be paid more ? Surely what we

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are out for is not that each man should secure in full the fruits of his own labour, but that the fruits of the common labour of all should be equitably shared among all. Bernard Shaw's argument for the equality of income seems to the present writer to be convincing when it is clearly understood. His whole point is that the idea of remuneration is in itself wrong, that people ought not to be remunerated for the work which they do, but ought to be assured of an income by virtue of their citizenship or by virtue of the fact that they are human beings."

This is the kind of doctrine which Mr. Cole and his friends are preaching throughout the country.

Now, I am not concerned here to discuss the arguments for or against any system. I wish merely to point out that whatever the structure of society the problem of production will lose none of its importance or its urgency. Whether we become communists or Bolsheviks or Utopians of any other brand, we shall still wish, presumably, to remain solvent, to improve the standard of life of the average citizen and to maintain our population. There is no conceivable state of society in which we can meet these requirements by any other method than hard, productive work.

Now if we accept, as every one on reflection must accept, the need for greater industrial output, we are driven to ask whether that need can be satisfied, and if so by what means. Very little acquaintance with our industries is required for the realisation that we are not producing as a nation to-day more than a fraction of what we are capable of producing. On all sides we are told that our output per man in a given time falls far below the level of 1914, and still farther below the level of our greatest possible efficiency. Many causes have contributed to this result. A period

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of reaction from the strain of war effort was inevitable. In every trade the war carried off many of the skilled men and temporarily depressed the standard of competence. We have permanently shortened the working week. Yet when every allowance is made for these factors there can be no doubt that the intensity of human effort in industry is lower than it has been in the past, and lower than as a nation we can afford to have it. In selecting this one cause of diminished production for my subject to-night, I have no wish to suggest that it is the sole cause or that labour bears the sole responsibility for its existence. No one in his senses can pretend that the employer's contribution to industrial efficiency is perfect, that there is not vast room for improvement in our plant and in our methods. Employers absorbed by the mote in their brother's eye would do well first to pluck the beam from their own. The working man is becoming daily more observant and justly more critical of the use made of his labour and of the general direction of industry. It remains true, however, that there is no feature of our industrial situation which is more dangerous or more capable of immediate improvement than the general slackening of human effort. Idleness has been with us always, as a quality of the man who was idle because he preferred not to work or not to work hard ; in this form it is a primitive instinct of human nature. We are confronted to-day—and it is there that the danger lies—with idleness practised as a political principle by men who would prefer to work. It is this development of our industrial problems which I wish to examine to-night—to trace its causes, to allocate responsibility as between employers and employed, to discuss remedies and to show that no remedy is possible without reason and tolerance on both sides. I hope to prove to you that time-work is wasteful and unscientific, that for the objections to payment by

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results employers are as much to blame as their men, and that it is essential to devise machinery which will give to labour under piece-work systems all those safeguards which labour is entitled to demand.

In a world in which we are doomed to work in order to live—and most of us are in that position—one of the chief incentives to labour, and particularly monotonous labour, must always be its reward. Over a wide field of our industry to-day labour is rewarded on the basis of a time-rate only, *i.e.* an hourly or daily or weekly wage is guaranteed irrespective of the work done in that period. It cannot be pretended that time-work is a satisfactory system either for the employer or for the workman. Mr. Sidney Webb once spoke of “the crude and primitive method of payment by the hour,” and the description is apt. It is a crude method, because it offers no stimulus to individual diligence or skill. It allows the competent workman who has exerted himself strenuously and conscientiously all the week to leave the works at the week-end with the same wages in his pocket as the shirker who has no respect either for his trade or for the bargain with his employer. It is a primitive method, because it introduces a fatal uncertainty into the calculations on which modern competitive trade must rest. The employer must sell his manufactures in a market in which the whole world is his competitor. His profit, and in the long run the existence of his business and of every one employed in it, depend on his power to estimate the cost of production and the time required for delivery of a given article. If he pays his workmen by time alone he can have no assurance that any of his estimates will be approximately correct, and he is forced to allow a margin for error which may sooner or later drive him out of the market. The old remedy of incessant supervision and of dismissal of a workman under suspicion of shirking is no longer open to him.

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It is notorious that at the present time an employer is often debarred from any action, however reasonable, against a workman who, while not actually loafing, is plainly not doing enough. A reprimand becomes a *casus belli*. Even if this were not so, no sane man to-day would regard as satisfactory industrial relations which rested on compulsion on the one side and fear on the other.

But if time-work is disastrous from the employer's point of view, it is little better from that of the workman. A guaranteed minimum wage can do little more than meet the bare necessities of the wage-earner. It leaves no margin which can permit of an enlargement of the human scope of his life. Under any rational system of payment by results, honestly applied, the average man can earn at least the equivalent of time and a half, the highly skilled man much more. And he can earn these wages in present conditions without harmful exertion or overstrain. The shorter working day and vast improvement in factory conditions have removed the ground for the old reproach against piece-work, that it encouraged men to risk their health and strength, their only capital. Now it will be asked, if this is so, why payment by results is not universal; and not merely not universal but actively opposed by many trades.

A complete answer to this question would demand a review of industrial history over several generations and would carry us far beyond the limits of a lecture such as this. It is an undertaking which in that form is no longer necessary. My concern to-night is with more recent developments than these, and more particularly with the engineering industry. It is doubtful if at the present time more than 50 per cent of the workmen engaged in that industry are working under any system of payment by results. In some districts piece-work is universal, in others it is

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unknown. In some branches of the industry it is the usual method of payment, in others it is rarely found. In the one town of Sheffield two steel foundries work piece-work, while any attempt to abandon time-work in similar establishments engaged in identical manufactures in the same town would lead to a strike. Again, though payment by results has been practised in the industry in one form or another for generations, and within the last thirty years has been recognised and regulated by national agreements between the employers' federation and the unions, it is openly deprecated in the rules of the principal engineering unions. I need only quote here from Rule 37 of the Electrical Trades Union :

“ Members are not to consider that because the following penalties are attached to members working piece-work, the Union looks upon the system with the slightest degree of favour, but on the contrary the Union considers it one of the greatest evils it has to contend with, and it therefore becomes the duty of every member permanently to dispense with piece-work wherever an opportunity presents itself, and certainly to prevent its introduction into any shop or district where it does not exist.”

Generally, it may be said that the attitude of the Engineering Unions at the present time is that they will resist the extension of straight piece-work or of individual bonus systems to any shops or to any work in a particular shop on which such a system of payment was not in force before the war. An extreme but characteristic instance is the refusal of a Union to work piece-work on locomotives for an armament firm which has turned to the manufacture of locomotives since the war in substitution for its former business.

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What is the explanation of this attitude? As might be expected, there is no one simple answer to this question. Many causes are at work—false economic theory, suspicion, often justified, of employers, and Trade Union psychology are amongst the most important. Let us glance briefly at these. The view is very widely prevalent to-day amongst certain groups of men in many industries that it is in the permanent interests of labour to restrict output. It is a doctrine which is repudiated by many Trade Unionists, and by almost all the responsible leaders of labour, but it is impossible to contest the extent of its influence on the daily practice of the rank and file. The theory is that if the wave-length, as it were, of the present great wave of demand can be extended, the longer there will be work to go round. The doctrine has its origin, no doubt, in the dread of unemployment. No one can afford to underestimate the dangers and the horror to the workman of unemployment and casualisation of labour. There are proper measures by which they can be diminished and even largely removed, but this method of the conscious limitation of effort is not one of them. Its effects must be disastrous. Apart from the fact that no man can for long practise deliberate slackness and retain either his efficiency or his *moral*, the theory is open to the fatal objection that the world is a field in which every industrial nation is in active competition with every other. The body of consumers all over the world who keep British industry in being will not indefinitely accept what we choose to offer at our own price and in our own time. They will turn to others who will supply what they need and when they need it. Instead of postponing unemployment, restriction of output is likely, by compromising the reputation of our industry, to bring unemployment nearer. It has other fatal effects. Under-production in present

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conditions means still higher prices, a further fall in the real value of wages, renewed demands for higher wages, and the perpetuation of that vicious circle in which we are moving.

So much for the workman and his responsibility. I pass to my second reason—suspicion of employers—which is no less important. The suspicion, I have said, is often justified. Systems of payment by results in the engineering industry have, in the past, not been so honestly applied by all employers, nor have they provided such adequate safeguards, as labour was entitled to demand. Engineering employers cover a wide range of types, and the size of a business is no final criterion of the category in which it should be placed. Side by side with employers whose methods are modern and who practise open and straight dealing with their employees because it is right as well as expedient, we have others whose views on the treatment of labour are as antiquated as their plant and whose honesty is no less vulnerable than their notions of economics. Is it surprising that past experience of systems of payment by results has in many instances satisfied neither employers nor employed? There are intrinsic difficulties in the application of piece-work to many branches of engineering, and these have given rise to a tendency for firms to fall into one of two extremes. Either they have attempted to fix piece-rates by guess-work, or they have adopted one of the innumerable fancy systems, and the whole paraphernalia of extravagances propounded by some advocates of scientific management. The first method has led inevitably to mistakes and to attempts to cover them up by cutting rates; the other to the exasperation of the workman, who likes something that he can understand, objects to motion study, and not unnaturally suspects that a system which needs these refinements is one under which he is likely to be defrauded.

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Rate-cutting is an evil the existence of which in some shops is known to every mechanic and is admitted by every honest employer. It has its roots either in haphazard management and bad rate-fixing, or in the mental attitude of the employer, who thinks that £6 a week is as much as any workman ought to earn, no matter how great his output. The outlines of the process are sufficiently familiar. A rate is fixed for a job ; some men at the week-end draw an unusually large bonus. The employer makes some trifling alteration in the method of production by which he considers himself technically justified in cutting the rate. Earnings drop and the men retaliate by restricting output until the cost of the job is probably higher than ever and the rate is again forced up. This is a perpetual game of mutual deception ; the employer reaps none of the benefits of piece-work and the men come to distrust the employer and to hate the system.

I have mentioned Trade Union psychology as a further reason for the attitude of the men towards payment by results. The principle of an individual stimulus to exertion—the principle underlying all genuine piece-work systems—is now frequently contested. We are told that any system which leads to one man in a shop earning more in a week than another is wrong because it gives rise to jealousy and ill-feeling between fellow-workmen, and so endangers the solidarity of labour. I confess this is an argument which has never appealed to me. If all fitters or all turners were equally competent, equally conscientious, and equally energetic, this view would be intelligible. But as things are, can anything be conceived which is more likely to set one man's hand against another than the knowledge that if he gives of his best all the week his reward will be the same as that of the man who in many cases ought never to have been admitted to his

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Trade Union at all, and whose only principle is to do just enough work and to do it just well enough to keep his employment? The Trade Union movement has been enabled to achieve much for its adherents as a whole through the sacrifice of individuals, but it is difficult to see what can be gained by this particular form of sacrifice, or that either the Unions or the country can benefit through the attainment of a dead level of mediocrity in any trade. But the immediate practical importance of the line of argument which I am here criticising is that it is leading to the advocacy of the so-called group or fellowship system of bonus payment, systems, that is, in which on top of the guaranteed time-rate a bonus is paid on the output of a large shop or of a whole factory in excess of some agreed standard. If in addressing you to-night I can achieve nothing more than the one object of convincing you that the comprehensive bonus is radically unsound and that its adoption as a solution of our present troubles could only intensify them, I shall be content. The relative popularity with the Engineering Unions of systems such as the Priestman bonus system in itself excites suspicion. The support given to such systems by district branches of those unions is consistent neither with their declared objections to payment by results nor with the advocacy by many of their leaders of under-production as a political principle. The suspicion is confirmed by the experience of every one who is familiar with the practical working of such systems. From the point of view of the men they represent, to use a familiar phrase, "money for nothing."

This is to my mind the fatal objection to the group bonus. I pass over what seems to me the plain injustice of a system under which the good workman shares the benefit of his exertions with all his colleagues, whilst the slacker is able to distribute the result of his

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slackness over the whole shop. Ideally, where all are working for a common end, the example of the good workman might be expected to stimulate the rest ; in practice it does not, and the speed of the slowest ship is apt to become the speed of the fleet. But if labour accepts this intrinsic injustice of the large group bonus, the employer cannot object to the system provided that it does give increased output. He knows, however, from experience that it does not, and for good reasons. The crux of every group bonus system lies in the determination of the standard output of the shop or works. In practice every system, such as the Priestman system, is driven in a normal engineering establishment to adopt an elaborate combination of tests to determine standard output. The difficulties of rate-fixing in straight piece-work would appear to be no greater than those of the intricate calculations required to fix a Priestman standard. And in the last resort many of those calculations must be purely arbitrary. The Priestman system distinguishes, for example, between the productive capacity of a mechanic and a labourer, or of a tradesman and an apprentice. Why stop short of the further distinction, no less logical, between the efficient and the inefficient workman ? It is not difficult to see that unless the standard output can be determined with absolute exactitude, there can be no safe basis for comparison between the output of one month and that of the next. The employer can have no assurance that he is in fact obtaining increased output proportionate to the extra wages which he is paying. If the apparent increase is excessive, he has every facility through the complexity of the system to cut rates. If, on the other hand, there is no apparent increase it is always open to the men to maintain that the reason is not their failure to produce more but a defect in the calculation of the standard. The result, in the experience of many who have worked

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large group systems, is that the honest employer pays in the end piece-rates for time-work intensity of effort. And he loses any power that he might have had under a time-work system of bringing home to individual workmen the responsibility for the failure to increase output. The individual slacker is lost in the group.

If, then, as I suggest, the group bonus is a delusion and a snare, is it possible to overcome the legitimate objections of labour to other and older methods of payment by results? I hold emphatically that it *is* possible, on the one condition that proper machinery is provided for fixing piece-rates and for reviewing them at the request either of the employer or of the workman. Rate-fixing as it is commonly understood has in practice meant simply this, that the employer or his representative fixed rates, scientifically or unscientifically but in secret, wrote them down on a card and gave it to the workman "to take it or to leave it." There was no pretence of making the operation a bargain between the parties, no opportunity for either party in any open and straightforward manner to have rates reviewed when once fixed. This is a system which is fair neither to the employer nor to the workman, and it will have to be abandoned if piece-work is to be extended. The first step is to make rate-fixing scientific. The old notion that any foreman or his clerk was good enough to fix rates is exploded. The job calls for complete familiarity with the work done in the shop and the machines employed; for special training; and, what is even more important, for a human manner. There are other walks in life than the diplomatic service for which a rough tongue is not a recommendation, and rate-fixing is one of them. But not even the most efficient and the most tactful of rate-fixers can avoid making mistakes on occasion or always succeed in convincing the workman

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that he is being given a square deal. His work must be supplemented by proper machinery for appeal, which is quick in action and not cumbersome in operation, for the rectification both of a price which is too low and of a price which is too high. I may be allowed to describe briefly simple machinery of this kind which has been in use in a modern factory. When a rate is fixed for a new job, it is offered to the man concerned. If he questions it, he is at liberty to go to the Time Study Office, to work through the calculations with the official responsible for them, to point out any errors and to have them rectified. If he remains unconvinced that the rate is reasonable, he can demand a reference to a Committee, which must meet within two days of the complaint. Pending the meeting, the firm's rate is adopted provisionally ; the decision of the Committee when given is retrospective, but no figures as to the time taken on the job between the fixing of the rate and the meeting of the Committee are accepted as evidence by the Committee. That body consists of three representatives of the firm and three of the men, of whom one is the workman concerned and the other two are men selected by him who are operating the same type of machine or whose work is similar to that in dispute. If the Committee fails to agree, the firm is called on to demonstrate in its own works that the rate offered is a fair rate. The method of demonstration is governed by definite rules. It is open to the firm to set in motion the same machinery for reviewing a rate which the firm regards as too high ; but it is understood that any reduction so made on review will be compensated by an equivalent addition to the rate for some other job less favourable to the men. In this way equality of opportunity is provided, as far as that is possible as between man and man.

I have said that this machinery has worked well ;

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and if it has done so, the reason lies in the fact that it brings the whole difficult and intricate process of rate-fixing out into the light of day and reveals it in its true character of an open bargain between the workman and the employer. In practice the occasions on which the Committee is called in to arbitrate are infrequent. It would appear that neither a rate-fixer nor a workman, if he has a bad case, is anxious to be exposed before the Committee, and whichever of the two feels himself technically weaker in the argument usually gives way. The real value of the Committee lies in its existence in the background, and in the safeguard which it holds out of collective bargaining. The system is capable of improvement and extension. The Appeal Tribunal which I have described has a certain character of informality. This is not necessarily a disadvantage ; but I can see no reason why, in order to meet a difficulty which confronts the whole engineering industry, the principle of an appeal on piece-work rates should not receive more formal sanction. While not desiring to put forward any cut-and-dried scheme, I should like to indicate possible lines of development. In the first place, I should welcome an arrangement between the Employers' Federation and the Unions which would make it impossible for an employer to introduce or to continue any system of payment by results that did not provide for some form of Workshop Tribunal such as I have described. This in itself would represent a big step forward, but I would go even further and would support the establishment of District Appeal Tribunals as an additional safeguard against rate-cutting and similar evasions of wage contracts. These bodies might be constituted from representatives of the employers and the Unions of the districts, and their decisions could be given by legal enactment the sanction which attaches to the judgements of a County

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Court. A moment's reflection will show that there is nothing either revolutionary or impracticable in such a proposal. The value of a County Court cannot be measured by the number of cases which it tries. Its mere existence supports and helps to ensure the observance of the ordinary bargains of commerce. Why should wages bargains be regarded as in any sense less sacred? The County Court protects the workman as a buyer; if he orders a suit of clothes, it offers him some security that having paid for serge he will not receive shoddy. Has he not an equal claim to be protected as a seller, and to have some guarantee that when he has contracted to sell his labour on certain terms those terms will be observed by the other party to the contract? In the constitution and in the actual work of District Tribunals difficulties would no doubt arise, but the experience gained with Joint Tribunals during the war suggests that the difficulties could be overcome. It would be necessary that the Tribunals should have wide powers of awarding damages and inflicting penalties, both as a protection against frivolous complaints and in order that a clear case of rate-cutting might be followed by punishment appropriate to the seriousness of the offence. Finally, when we have given legal sanction to the piece-work bargain we must cope with the problem of unemployment. The subject is outside the scope of this lecture, and I wish merely to say here that I can see no satisfactory solution of the problem short of self-insurance by the industry against unemployment. If these two principles—legalised bargaining and self-insurance—were accepted, we might not indeed find that every Union and every workman would at once demand the universal adoption of payment by results, but we should have undermined the power of the agitator and the extremist. The extremist is to-day preaching in all the branches

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of the Unions this doctrine—"Don't accept piece-work. If you do, the employer will probably swindle you ; and whether he swindles you or not, you will be out of work in five years." Moderate men will have won the day if they can show that such arguments have ceased to bear any relation to the facts.

I will confess at once that I have no love for heroic remedies. He was, in my opinion, a wise man who once said that "short cuts usually end in short circuits." The road of progress is long and very stony, and the rate at which we move along it is distressingly slow. There is, I think, much food for reflection for all eager and impatient minds in these words written recently by Professor Alfred Marshall :—

"The average level of human nature in the western world has risen fast during the last fifty years. But it has seemed to me that those have made most real progress towards the goal of ideally perfect social organisation who have concentrated their energies on some particular difficulties in the way, and not spent strength on endeavouring to rush past them."

The one clear feature of our present position which has impressed itself on my mind is that extremists on both sides present the one formidable obstacle to co-operation between employers and labour, not merely to the advantage of both, but in the interests of the nation, which is greater than either of them. If we can succeed in putting the extremists out of court, we shall have made a step forward. Anything beyond that may well be left to time.

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